//KHARA HAIS MUNICIPALITY

AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2016

//KHARA HAIS MUNICIPALITY

Annual Financial Statements For the Year Ended 30 June 2016

GENERAL INFORMATION

NATURE OF BUSINESS

//Khara Hais Municipality is a local municipality performing the functions as set out in the Constitution (Act no 105 of 1996).

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998) and are classified as a medium capacity municipality.

JURISDICTION

The //Khara Hais Municipality includes the following areas:

Upington	Karos
Leerkrans	Lambrechtsdrift
Kalksloot	Sesbrugge

The total population of //Khara Hais Municipality is 102 692 (STATS 2011) and the jurisdiction size is 3 444 km^2.

MEMBERS OF COUNCIL

LA Koloi	Mayor
T Basson	Speaker
E Allies	Member of Executive Committee
M Segede	Member of Executive Committee
JL Snyman	Member of Executive Committee
K de Wee	Member of Executive Committee
MM Abels	Councillor
E Munnik	Councillor
M Andreas	Councillor
J Assegaai	Councillor
MG Brand	Councillor
M Kock	Councillor
J Thomas	Councillor
R George	Councillor
J Isaacs	Councillor
E Lebitsa	Councillor
SP May	Councillor
E Mnyaka	Councillor
J Moya	Councillor
D Ntlanganiso	Councillor
M Plaaitjies	Councillor
IISS Selborne	Councillor
PT van der Steen	Councillor
AJ van Rooyen	Councillor
A van Wyk	Councillor
M Bosman	Councillor

MUNICIPAL MANAGER:	Dalixolo Eric Ngxanga
CHIEF FINANCIAL OFFICER:	Gaylene Mercia Schreiner

//KHARA HAIS MUNICIPALITY

Annual Financial Statements For the Year Ended 30 June 2016

GENERAL INFORMATION

GRADING OF LOCAL AUTHORITY:	Grade 3
AUDITORS:	Auditor-General (Northern Cape)
PRIMARY BANKERS:	ABSA Bank Ltd

RELEVANT LEGISLATION:

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

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POSTAL ADDRESS:	Private Bag X6003 Upington 8800
TELEPHONE NUMBER:	(054) 338 7000
FAX NUMBER:	(054) 338 7350
WEBSITE:	www.kharahais.gov.za
EMAIL ADDRESSES:	
Municipal Manager	manager@kharahais.gov.za
Chief Financial Officer	cfo@kharahais.gov.za

//KHARA HAIS MUNICIPALITY

Annual Financial Statements For the Year Ended 30 June 2016

GENERAL INFORMATION

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 96, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

_____

Municipal Manager

_____

Date signed

//KHARA HAIS MUNICIPALITY

Annual Financial Statements For the Year Ended 30 June 2016

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//KHARA HAIS MUNICIPALITY

// KHARA HAIS MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2016

	Note	2016 Restated R	2016 Original R	2015 Restated R
ASSETS				
Non-current assets		**1 773 155 584**	**1 787 509 832**	**1 848 346 352**
Property, plant and equipment	1.1	1 563 324 440	1 574 687 892	1 617 405 182
Intangible assets	1.2	3 168 448	3 168 448	3 372 323
Investment Property	1.3	202 344 597	205 335 393	223 241 449
Heritage Assets	1.4	4 309 000	4 309 000	4 309 000
Non-current receivables	2	9 098	9 098	18 399
Current assets		**103 514 921**	**121 565 864**	**70 022 052**
Inventory	3	11 012 716	14 810 519	5 602 115
Trade receivables from exchange transactions	4	55 904 406	68 648 654	52 306 729
Trade receivables from non-exchange transactions	4	10 347 989	11 856 880	7 474 713
Other receivables	5	1 985 798	1 985 798	925 833
Unpaid conditional grants and receipts	6	2 896 247	2 896 247	1 891 334
Short term investments	7	-	-	-
Cash and cash equivalents	8	21 359 728	21 359 728	1 441 674
VAT Receivable	17	-	-	374 745
Current portion of receivables	2	8 037	8 037	4 910
TOTAL ASSETS		**1 876 670 505**	**1 909 075 696**	**1 918 368 405**
NET ASSETS AND LIABILITIES				
Non-current liabilities		**228 211 193**	**228 211 193**	**203 954 735**
Non-current borrowings	9	113 063 944	113 063 944	106 009 059
Employee Benefits	10	95 479 402	95 479 402	78 935 294
Non-current Provisions	11	19 667 847	19 667 847	19 010 382
Current liabilities		**132 686 514**	**132 686 514**	**164 028 391**
Current portion of borrowings	9	11 314 125	11 314 125	17 060 136
Consumer deposits	12	10 916 060	10 916 060	8 740 044
Current Employee Benefits	13	4 029 522	4 029 522	3 575 925
Provisions	14	1 387 502	1 387 502	1 377 969
Trade and other payables	15	94 925 126	94 925 126	121 260 007
Unspent conditional grants and receipts	16	3 814 946	3 814 946	5 675 346
VAT payable	17	606 084	606 084	-
Bank Overdraft	18	5 693 148	5 693 148	6 338 965
Net assets		**1 515 772 798**	**1 548 177 989**	**1 550 385 278**
Accumulated surplus / (deficit)	19	1 515 772 798	1 548 177 989	1 550 385 278
TOTAL NET ASSETS AND LIABILITIES		**1 876 670 505**	**1 909 075 696**	**1 918 368 405**

	Note	2016 Restated R	2016 Original R	2015 Restated R
REVENUE				
Revenue from Non-Exchange Transactions		**181 195 865**	**187 580 114**	**225 255 422**
Taxation Revenue		**77 872 572**	**77 872 572**	**69 628 038**
Property rates	20	77 872 572	77 872 572	69 628 038
Transfer Revenue		**95 054 378**	**95 054 378**	**119 351 637**
Government grants and subsidies - Operating	22	69 715 325	69 715 325	67 146 929
Government grants and subsidies - Capital	22	25 339 053	25 339 053	52 204 709
Other Revenue		**8 268 914**	**14 653 164**	**36 275 746**
Actuarial Gain	10	1 468 959	1 468 959	12 338 566
Fines		6 799 955	6 799 955	3 090 069
Reversal of a Provision		-	-	218 907
Fair Value Adjustment on Investment Property		-	6 384 249	20 628 205
Revenue from Exchange Transactions		**371 914 078**	**370 578 606**	**332 094 864**
Service Charges	21	338 110 867	338 110 867	301 125 473
Rental of facilities and equipment		9 143 730	9 143 730	8 599 114
Interest earned - external investments		1 089 609	1 089 609	705 541
Interest earned - outstanding receivables		3 086 768	3 086 768	2 476 625
Licences and permits		1 565 967	1 565 967	1 664 742
Income for agency service		4 110 564	4 110 564	3 706 379
Income for housing agency service		1 030 000	1 030 000	1 250 000
Employee housing		4 529	4 529	55 042
Other income	23	10 670 817	9 979 606	12 511 946
Gain on Disposal of Property, Plant and Equipment		3 101 229	2 456 967	-
TOTAL REVENUE		**553 109 943**	**558 158 720**	**557 350 286**
EXPENDITURE		**587 722 422**	**568 161 785**	**530 945 813**
Employee related costs	24	207 689 824	207 689 824	196 437 510
Remuneration of councillors	25	7 961 763	7 961 763	7 516 034
Contributions to provisions - Bad debts	26.1	21 160 092	6 906 953	7 597 071
Contributions to provisions - Other	26.2	8 840 959	8 840 959	12 371 000
Actuarial Loss	10	12 349 485	12 349 485	-
Collection cost		-	-	85 700
Depreciation and amortisation expense	27	81 966 237	83 063 342	75 530 071
Impairment Losses	27	286 010	286 010	2 471 199
Repairs and maintenance	28	12 603 139	12 603 139	9 297 228
Finance costs	29	14 658 104	14 226 225	16 053 714
Bulk purchases	30	170 415 974	170 415 974	149 832 916
Contracted services	31	7 769 628	7 769 628	9 137 414
Grants and subsidies paid	32	785 042	785 042	113 636
General expenses	33	39 026 087	35 263 441	35 046 523
Fair Value Adjustment		2 210 078	-	-
Loss on sale of Property, Plant and Equipment		-	-	9 455 798
TOTAL EXPENDITURE		**587 722 422**	**568 161 785**	**530 945 813**
NET SURPLUS / (DEFICIT) FOR THE YEAR		**(34 612 479)**	**(10 003 065)**	**26 404 473**

//KHARA HAIS MUNICIPALITY

Statement of Changes in Net Assets for the Year Ended 30 June 2016

	Revaluation Reserve	Accumulated Surplus / (Deficit)	Total
	R	R	R
2015			
Balance at 1 July 2014	-	1 535 586 436	**1 535 586 436**
Surplus / (Deficit) for the Year - refer to note 35.8	-	(11 605 630)	**(11 605 630)**
Restated Balance	**-**	**1 523 980 806**	**1 523 980 806**
Surplus / (Deficit) for the Year - refer to note 35.9	-	26 404 473	**26 404 473**
Restated Balance 30 June 2015	**-**	**1 550 385 279**	**1 550 385 279**
Other Transfers	-	-	-
Surplus / (Deficit) for the Year	-	(34 612 479)	**(34 612 479)**
Balance at 30 June 2016	**-**	**1 515 772 800**	**1 515 772 800**

//KHARA HAIS MUNICIPALITY

Cash Flow Statement for the Year Ended 30 June 2016

	Note	2016 R	2015 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		418 733 506	357 194 629
Government - operating	22	69 715 325	67 146 929
Government - capital	22	25 339 053	52 204 709
Interest		4 176 377	3 182 166
Payments			
Suppliers and employees		(479 268 680)	(388 472 763)
Transfers and Grants	32	(785 042)	(113 636)
Finance charges	29	(14 658 104)	(16 053 714)
Net Cash flow from operating ativities		**23 252 435**	**75 088 320**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(40 106 123)	(72 044 791)
(Loss) / Proceeds on Disposal of Property, Plant and Equipment		3 101 229	(9 455 798)
Purchase of Intangible assets		(29 962)	(83 401)
Disposal of Investment Property		18 686 774	18 472 158
Transfer of PPE		9 103 976	-
Disposal of PPE		3 064 479	5 284 635
Decrease / (Increase) in Call Investment Deposits		-	668 913
Decrease / (Increase) in Non-Current Receivables		6 173	4 890
Net Cash From Investing Activities		**(6 173 455)**	**(57 153 394)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans Repaid		1 308 875	(22 598 443)
New Loans Raised		-	-
Increase / (Decrease) in Consumer Deposits		2 176 016	887 657
Net Cash From Financing Activities		**3 484 891**	**(21 710 786)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS FROM ACTIVITIES		**20 563 871**	**(3 775 861)**
Cash and cash equivalents at the beginning of the year		(4 897 291)	(1 121 430)
Cash and cash equivalents at the end of the year	34.2	15 666 580	(4 897 291)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		**20 563 871**	**(3 775 861)**

//KHARA HAIS MUNICIPALITY

//KHARA HAIS MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2016

	2016 Original Approved Budget R	2016 Adjustments R	2016 Final Approved Budget R	2016 Final Year-End Budget R	2016 Actuals R	2016 Variance R	Explanations for material variances
ASSETS							
Current Assets							
Cash	9 000 000	-	9 000 000	9 000 000	21 359 728	12 359 728	Sale of erven being invested
Consumer debtors	42 375 441	12 714 794	55 090 235	55 090 235	66 252 395	11 162 160	Trouble experience with implementation of Credit Control Policy
Other debtors	7 000 000	-	7 000 000	7 000 000	4 882 045	(2 117 955)	Decrease in unpaid conditional grants
Current portion of long-term receivables	6 263	-	6 263	6 263	8 037	1 774	Amount as per repayment schedule
Inventory	6 500 000	-	6 500 000	6 500 000	11 012 716	4 512 716	Better control regarding inventory by reducing redundant stock
Total Current Assets	**64 881 704**	**12 714 794**	**77 596 498**	**77 596 498**	**103 514 921**	**25 918 423**	
Non Current Assets							
Long-term receivables	9 911	-	9 911	9 911	9 098	(813)	As per repayment schedule
Investment property	212 472 908	6 665 010	219 137 918	219 137 918	202 344 597	(16 793 321)	Fair Value Adjustment for the year
Property, plant and equipment	1 468 885 280	94 303 823	1 563 189 103	1 563 189 103	1 567 633 440	4 444 337	All capital projects budgeted for not completed
Intangible	306 949	3 065 373	3 372 322	3 372 322	3 168 448	(203 874)	Amortisation of Intangibles budgeted for at PPE
Total Non Current Assets	**1 681 675 048**	**104 034 206**	**1 785 709 254**	**1 785 709 254**	**1 773 155 584**	**(12 553 670)**	
TOTAL ASSETS	**1 746 556 752**	**116 749 000**	**1 863 305 752**	**1 863 305 752**	**1 876 670 506**	**13 364 754**	
LIABILITIES							
Current Liabilities							
Bank overdraft	2 000 000	2 000 000	4 000 000	4 000 000	5 693 148	1 693 148	Payment of creditors on year-end
Borrowing	10 837 277	-	10 837 277	10 837 277	11 314 125	476 848	As per repayment schedule
Consumer deposits	11 000 000	-	11 000 000	11 000 000	10 916 060	(83 940)	More pre-paid meters and less conventional meters
Trade and other payables	59 400 033	1 742 502	61 142 535	61 142 535	99 346 156	38 203 621	Sale of erven not realised resulting in unpaid creditors
Provisions	9 000 000	-	9 000 000	9 000 000	5 417 024	(3 582 976)	Less employees than previous financial year
Total Current Liabilities	**92 237 310**	**3 742 502**	**95 979 812**	**95 979 812**	**132 686 514**	**36 706 701**	
Non Current Liabilities							
Borrowing	94 719 796	1 082 384	95 802 180	95 802 180	113 063 944	17 261 764	DBSA loans not paid, but restructered
Provisions	107 826 067	(13 471 448)	94 354 619	94 354 619	115 147 249	20 792 630	Less employees than previous financial year
Total Non Current Liabilities	**202 545 863**	**(12 389 064)**	**190 156 799**	**190 156 799**	**228 211 193**	**38 054 394**	
TOTAL LIABILITIES	**294 783 173**	**(8 646 562)**	**286 136 611**	**286 136 611**	**360 897 707**	**74 761 095**	
NET ASSETS	**1 451 773 579**	**125 395 562**	**1 577 169 141**	**1 577 169 141**	**1 515 772 799**	**(61 396 342)**	
COMMUNITY WEALTH / EQUITY							
Accumulated Surplus	**1 451 773 579**	**125 395 562**	**1 577 169 141**	**1 577 169 141**	**1 515 772 798**	**(61 396 343)**	
TOTAL COMMUNITY WEALTH / EQUITY	**1 451 773 579**	**125 395 562**	**1 577 169 141**	**1 577 169 141**	**1 515 772 798**	**(61 396 343)**	

//KHARA HAIS MUNICIPALITY

//KHARA HAIS MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2016

	2016 ACTUAL R	2016 FINAL BUDGET R	2016 VARIANCE R	EXPLANATIONS - MATERIAL VARIANCES
REVENUE BY SOURCE				
Property rates	77 872 572	78 668 479	(795 907)	
Service charges	338 110 867	342 304 490	(4 193 623)	
Rental of facilities and equipment	9 143 730	9 158 215	(14 485)	
Interest earned - external investments	1 089 609	1 512 129	(422 520)	Due to cash flow problems less money was invested
Interest earned - outstanding receivables	3 086 768	3 148 013	(61 245)	
Fines	6 799 955	3 526 200	3 273 755	Change in GRAP for the accounting of traffic fines
Licences and permits	1 565 967	1 655 790	(89 823)	
Agency services	4 110 564	4 060 000	50 564	
Transfers recognised - operating	69 715 325	66 917 172	2 798 153	
Other revenue	13 174 305	13 768 209	(593 905)	Consent usuage levied was more than the budgeted amount
Gains on disposal of PPE	3 101 229	60 931 980	(57 830 751)	Sale of erven not materialised
Total Operating Revenue	**527 770 890**	**585 650 677**	**(57 879 787)**	
EXPENDITURE BY TYPE				
Employee related costs	207 689 824	206 888 696	801 128	
Remuneration of councillors	7 961 763	7 961 000	763	
Debt impairment	21 160 092	8 000 000	13 160 092	Increase in outstanding debtors and traffic fines written off
Depreciation and asset impairment	82 252 248	108 519 181	(26 266 933)	Depreciation not journalised
Finance Charges	14 658 104	15 404 489	(746 385)	
Bulk purchases	170 415 974	171 163 816	(747 842)	
Other Materials	12 603 139	16 700 624	(4 097 485)	Cost containment measures implemented
Contracted services	7 769 628	8 760 235	(990 607)	Cost containment measures implemented
Transfers and grants	785 042	303 000	482 042	Donations made to Departments in excess of budgeted amount
Other expenditure	62 426 609	51 139 967	11 286 642	Provisions for LSA & PEMA above budgeted amounts
Loss on disposal of PPE	-	-	-	
Total Operating Expenditure	**587 722 422**	**594 841 008**	**(7 118 586)**	
Operating (Deficit) for the year	**(59 951 533)**	**(9 190 331)**	**(50 761 202)**	
Transfers Recognised - Capital	25 339 053	27 109 214	(1 770 161)	
(DEFICIT) FOR THE YEAR	**(34 612 479)**	**17 918 883**	**(52 531 362)**	

//KHARA HAIS MUNICIPALITY

//KHARA HAIS MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2016

	2016 Original Approved Budget R	2016 Adjustments R	2016 Final Approved Budget R	2016 Final Virements R	2016 Final Year-End Budget R
REVENUE BY SOURCE					
Property rates	75 488 017	3 180 462	78 668 479	-	78 668 479
Service charges	355 981 584	(13 677 094)	342 304 490	-	342 304 490
Rental of facilities and equipment	9 531 253	(373 038)	9 158 215	-	9 158 215
Interest earned - external investments	600 000	912 129	1 512 129	-	1 512 129
Interest earned - outstanding receivables	2 400 000	748 013	3 148 013	-	3 148 013
Fines	430 822	3 095 378	3 526 200	-	3 526 200
Licences and permits	1 612 200	43 590	1 655 790	-	1 655 790
Agency services	3 450 000	610 000	4 060 000	-	4 060 000
Transfers recognised - operating	73 267 724	(6 350 552)	66 917 172	-	66 917 172
Other revenue	10 148 870	3 619 339	13 768 209	-	13 768 209
Gains on disposal of PPE	60 010 000	921 980	60 931 980	-	60 931 980
Total Operating Revenue	**592 920 470**	**(7 269 793)**	**585 650 677**	**-**	**585 650 677**
EXPENDITURE BY TYPE					
Employee related costs	172 653 905	34 242 666	206 896 571	(7 874)	206 888 696
Remuneration of councillors	8 539 978	(578 978)	7 961 000	-	7 961 000
Debt impairment	2 000 000	6 000 000	8 000 000	-	8 000 000
Depreciation and asset impairment	108 519 181	-	108 519 181	-	108 519 181
Finance Charges	13 435 725	1 968 764	15 404 489	-	15 404 489
Bulk purchases	175 163 816	(4 000 000)	171 163 816	-	171 163 816
Other Materials	18 758 026	(2 137 402)	16 620 624	80 000	16 700 624
Contracted services	12 412 847	(3 946 486)	8 466 361	293 874	8 760 235
Transfers and grants	21 597 000	(21 304 000)	293 000	10 000	303 000
Other expenditure	61 919 818	(10 403 851)	51 515 967	(376 000)	51 139 967
Loss on disposal of PPE	-	-	-	-	-
Total Operating Expenditure	**595 000 296**	**(159 287)**	**594 841 009**	**-**	**594 841 009**
Operating (Deficit) for the year	(2 079 826)	(7 110 506)	(9 190 332)	-	(9 190 332)
Transfers Recognised - Capital	25 835 044	1 274 170	27 109 214	-	27 109 214
(DEFICIT) FOR THE YEAR	23 755 218	(5 836 336)	17 918 882	-	17 918 882

//KHARA HAIS MUNICIPALITY

//KHARA HAIS MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASHFLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

	2016 Original Approved Budget R	2016 Adjustments R	2016 Final Approved Budget R	2016 Final Year-End Budget R	2016 Actuals R	2016 Variance R	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES							
Receipts							
Property rates, penalties & collection charges	75 488 017	(4 900 606)	70 587 411	70 587 411	77 872 572	7 285 161	More money was received due to improved debt collection controls
Service charges	355 981 584	(13 677 094)	342 304 490	342 304 490	338 110 867	(4 193 623)	
Other revenue	23 673 145	6 995 269	30 668 414	30 668 414	2 750 067	(27 918 347)	Consent usuage levied was more than the budgeted amount
Government - operating	73 267 724	(6 350 552)	66 917 172	66 917 172	69 715 325	2 798 153	
Government - capital	25 835 044	1 274 170	27 109 214	27 109 214	25 339 053	(1 770 161)	
Interest	3 000 000	1 660 142	4 660 142	4 660 142	4 176 377	(483 765)	Due to cash flow problems less money was being invested
Payments							
Suppliers and employees	(528 987 917)	17 218 862	(511 769 055)	(511 769 055)	(479 268 680)	32 500 375	
Finance charges	(13 435 725)	(1 968 764)	(15 404 489)	(15 404 489)	(14 658 104)	746 385	
Transfers and grants	(21 597 000)	21 304 000	(293 000)	(293 000)	(785 042)	(492 042)	Donations made to Departments in excess of budgeted amount
NET CASH FROM / (USED) OPERATING ACTIVITIES	**(6 775 128)**	**21 555 426**	**14 780 298**	**14 780 298**	**23 252 435**	**8 472 137**	
CASH FLOW FROM INVESTING ACTIVITIES							
Receipts							
Proceeds on disposal of PPE	60 010 000	921 980	60 931 980	60 931 980	3 101 229	(57 830 751)	Sale of erven not materialised
Decrease / (Increase) in non-current receivables	6 263	871	7 134	7 134	6 173	(961)	Less money was redeemed than budgeted
Payments							
Capital assets	(36 251 396)	(15 141 041)	(51 392 437)	(51 392 437)	(9 280 857)	42 111 580	Capital projects not completed
NET CASH FROM / (USED) INVESTING ACTIVITIES	**23 764 867**	**(14 218 190)**	**9 546 677**	**9 546 677**	**(6 173 455)**	**(15 720 132)**	
CASH FLOW FROM FINANCING ACTIVITIES							
Receipts							
Increase (decrease) in consumer deposits	500 000	1 500 053	2 000 053	2 000 053	2 176 016	175 963	
Payments							
Repayment of borrowing	(16 429 738)	-	(16 429 738)	(16 429 738)	1 308 875	17 738 613	As per repayment schedule
NET CASH FROM / (USED) FINANCING ACTIVITIES	**(15 929 738)**	**1 500 053**	**(14 429 685)**	**(14 429 685)**	**3 484 891**	**17 914 576**	
NET INCREASE / (DECREASE) IN CASH HELD	**1 060 001**	**8 837 290**	**9 897 291**	**9 897 291**	**20 563 871**	**10 666 580**	
Cash / cash equivalents at the year begin:	5 940 000	-	(4 897 291)	(4 897 291)	(4 897 291)	-	
Cash / cash equivalents at the year end:	7 000 001	-	5 000 000	5 000 000	15 666 580	10 666 580	

//KHARA HAIS MUNICIPALITY

Accounting Policies for the Annual Financial Statements
For the Year Ended 30 June 2016

1 BASIS OF PRESENTATION

1.1 **The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.**

1.2 **These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).**

1.3 **Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised - February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.**

1.4 **The Municipality resolved to early adopt the following GRAP Standards which have been issued but are not effective yet.**

Standard	Description	Effective Date
GRAP 17 (Revised - May 2015)	Property, Plant & Equipment (Adoption of indicator bases approach to assess the useful lives of assets on a regular basis)	1 April 2016

1.5 **A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.**

1.6 **Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.**

1.7 **The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.**

1.8 **Original Standards and Interpretations issued but not yet effective**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
GRAP 20	Related Party Disclosure The objective of this interpretation of the Standards is to prescribe which persons qualify as related parties and which information should be disclosed in the AFS. No significant impact is expected as the Municipality already implemented controls to ensure that related party disclosures are met.	Unknown
GRAP 32	Service Concession Arrangements: Grantor The objective of this Standard is to prescribe the accounting for services concession arrangements by the grantor, a public sector entity. No significant impact is expected as the Municipality does not have any concessions at this stage.	Unknown
GRAP 108	Statutory Receivables The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables. No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	Unknown
GRAP 109	Accounting by Principles and Agents The objective of this Standard is to outline principles to No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	Unknown
IGRAP 17	Service Concession Arrangements where a grantor controls a significant residual interest in an Asset	Unknown

	The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. No such transactions or events are expected in the foreseeable future.	

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

2 USE OF ESTIMATES AND JUDGEMENTS

2.1 The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice (GRAP) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and, actual results may differ from these estimates.

2.2 Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period which the estimates are revised and in any future affected period.

3 PRESENTATION CURRENCY

3.1 Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

4 GOING CONCERN ASSUMPTION

4.1 The Municipality is deemed a going concern, following an assessment made by management during the compilation of the annual financial statements.

5 RESERVES

5.1 Revaluation Reserve (Non-Distributable Reserve)

5.1.1 **The accounting for the Revaluation Reserve is done in accordance with the requirements of GRAP standards.**

5.1.2 **All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.**

5.1.3 **All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.**

6 PROPERTY, PLANT AND EQUIPMENT

6.1 Initial Recognition

6.1.1 **Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.**

6.1.2 **The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.**

6.1.3 **Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.**

6.1.4 **When significant components of an item of property, plan and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.**

6.1.5 **Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.**

6.1.6 **The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.**

6.1.7 **Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.**

6.2 Subsequent Measurement

6.2.1 **Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.**

6.2.2 **Subsequently all property plant and equipment are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.**

6.2.3 Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

6.3 Depreciation

6.3.1 Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Asset Group	Years	Asset Group	Years
Community Assets - Cemeteries	15 - 50	Infrastructural assets	15 - 30
Infrastructure - Railway	30 - 50	Other vehicles	4 - 10
Community Assets - Recreational Facilities	10 - 50	Office equipment	3 - 15
Community Assets - Sporting Facilities	15 - 60	Furniture and fittings	3 - 10
Heritage Assets - Buildings	Indefinite	Watercraft	15 - 20
Heritage Assets - Land	Indefinite	Bins and containers	10 - 15
Infrastructure - Electricity	15 - 55	Specialised plant and equipment	10 - 15
Infrastructure - Roads, Pavements, Bridges and Storm Water	15 - 100	Other items of plant and equipment	2 - 10
Infrastructure - Sanitation	3 - 50	Security	3 - 5
Infrastructure - Sewerage	10 - 80	Buildings	10 - 50
Infrastructure - Water	10 - 75	Specialist vehicles	10 - 15
Land and Buildings - Buildings	10 - 60	Infrastructure - Communication	30 - 50
Land and Buildings - Land	Indefinite	Landfill sites	1 - 50

6.3.2 Depreciation only commences when the asset is available for use, unless stated otherwise.

6.3.3 At each reporting date an assessment is done to determine whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If an indication exists, the municipality shall revise the expected useful life and / or residual value accordingly.

6.4 Incomplete Construction Work

6.4.1 Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

6.5 Finance Leases

6.5.1 Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as property, plant and equipment controlled by the municipality or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

6.6 Land

6.6.1 Land is not depreciated as it is deemed to have an indefinite useful life.

6.7 Derecognition of Property, Plant and Equipment

6.7.1 The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

6.7.2 The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

6.7.3 Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

7 INTANGIBLE ASSETS

7.1 Initial Recognition

7.1.1 Identifiable non–monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

7.1.2 Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with GRAP 21.

7.1.3 Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

7.2 Subsequent Measurement, Amortisation and Impairment

7.2.1 After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

7.2.3 After initial recognition, intangible assets are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. If the intangible asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to the revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same intangible asset previously recognised in surplus or deficit.

7.2.4 Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

7.2.5 In terms of GRAP 31 intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years, the residual value of assets with finite useful lives is zero, unless an active market exists. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, however such intangible assets are subject to an annual impairment test.

7.2.6 **Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.**

7.2.7 **The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.**

Intangible Assets	Years
Computer Software	20

7.3 **Derecognition**

7.3.1 **Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.**

8 INVESTMENT PROPERTY

8.1 **Initial Recognition**

8.1.1 **Investment property shall be recognised as an asset when, and only when:**

*** it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and**

*** cost or fair value of the investment property can be measured reliably.**

8.1.2 **At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost at date of completion.**

8.1.3 **Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.**

8.1.4 **Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:**

8.1.4.1 **All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;**

8.1.4.2 **Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);**

8.1.4.3 **A building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases (this will include the property portfolio rented out by the Housing Board on a commercial basis on behalf of the municipality); and**

8.1.4.4 **A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.**

8.1.5 **The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:**

8.1.5.1 **Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;**

8.1.5.2 **Property being constructed or developed on behalf of third parties;**

8.1.5.3 **Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;**

8.1.5.4 **Property that is being constructed or developed for future use as investment property;**

8.1.5.5 **Property that is leased to another entity under a finance lease;**

8.1.5.6 **Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and**

8.1.5.7 **Property held for strategic purposes or service delivery.**

8.2 **Subsequent Measurement - Fair Value Model**

8.2.1 **Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.**

8.3 **Derecognition**

8.3.1 **Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.**

9 **Heritage Assets**

9.1 **Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives. The Municipality assess at each reporting date if there is an indication of impairment. Subsequent to measurement, heritage assets are carried at cost less impairment losses.**

10 IMPAIRMENT OF ASSETS

10.1 Impairment of Cash Generating Assets

10.1.1 The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

10.1.2 If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

10.1.3 The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arms length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

10.1.4 The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

10.1.5 If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

10.1.6 An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

10.1.7 An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

10.1.8 An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

10.1.8.1 To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

10.1.9 A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

10.1.10 The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

10.1.11 A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

10.2 Impairment of Non-Cash Generating Assets

10.2.1 The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

10.2.2 If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

10.2.3 The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

10.2.4 If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

10.2.5 **An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.**

10.2.6 **An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:**

10.2.6.1 **To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.**

10.2.7 **The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.**

10.2.8 **The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.**

10.2.9 **A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.**

11 FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions).

11.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

11.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

11.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payment (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount an the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

11.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

11.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

11.3 De-recognition of Financial Instruments

11.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

*** the rights to receive cash flows from the asset have expired; or**
*** the Municipality has transferred its rights to receive cash flows form the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the assets, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.**

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

11.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

11.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

12 INVENTORIES

12.1 Inventories include consumables stores, maintenance materials, spare parts for plant, equipment and land or property held for sale. Cost is determined by the weighted average method and comprises all costs of purchases, cost of development, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories are stated at the lower of cost or net realisable value.

12.2 When inventories are sold, exchanged or distributed the carrying amount of those inventories shall be recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when goods are distributed or related service is rendered.

12.3 The amount of any write-down of inventories and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs. The amount of any write-down of inventories, arising from an increase in the net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

12.4 Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

13 REVENUE RECOGNITION

13.1 Revenue from Exchange Transactions

13.1.1 Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

13.1.2 Service charges relating to electricity and water are based on consumption and a basic charge as per Council Resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

13.1.3 Revenue from the sale of pre-paid electricity and pre-paid water sales are recognised at point of sale and not when prepaid electricity is consumed.

13.1.4 Service charges from sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property as set out in the approved Tariff List.

13.1.5 Interest and rentals are recognised on a time proportion basis.

13.1.6 Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

13.1.7 Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant approved tariff. This includes the issuing of licences and permits.

13.1.8 Revenue from the sale of goods is recognised when the risk is passed to the consumer.

13.1.9 Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

13.2 Revenue from Non-Exchange Transactions

13.2.1 Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

13.2.2 Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when fines are processed on the system. A debtor is created for all unpaid fines on year-end and recoverbility test is performed to calculated any impairments against the debtor.

13.2.3 Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

13.2.4 Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

13.2.5 Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

13.2.6 All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of 36 months. This assessment is performed annually at 30 June. The Municipality keep record of these unclaimed deposits for three years in the event that a party should submit a claim.

14 CONDITIONAL GRANTS AND RECEIPTS

14.1 Unspent Conditional Government Grants and Receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions form the public.

The liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

*** Unspent conditional grants are recognised as a liability when the grant is received.**
*** When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.**

*** The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.**

*** Interest earned on the investment is treated accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.**

14.2 Unpaid Conditional Government Grants and Receipts

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions form the public.

The following provisions are set of for the creation and utilisation of the grant is receivable:

*** Unpaid conditional grants are recognised as an asset when the grant is receivable.**

14.3 Unspent Public Contributions

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

*** Unspent public contributions are recognised as a liability when the grant is received.**
*** When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.**

*** The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.**

*** Interest earned on the investment is treated accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.**

15 PROVISIONS

15.1 **Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).**

15.2 **The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.**

15.3 **Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring the provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.**

15.4 **A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:**

15.4.1 **The Municipality has a detailed formal plan for the restructuring identifying at least:**

*** the business or part of business concerned;**
*** the principal locations affected;**
*** the location, function and approximate number of employees who will be compensated for termination of services**

*** the expenditures that will be undertaken; and**
*** when the plan will be implemented.**

15.4.2 **The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.**

15.5 **The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.**

15.6 **If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be derecognised.**

16 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The amount of borrowing costs that the Municipality capitalises during the period shall not exceed the amount of borrowing costs it incurred during that period. The Municipality ceases the capitalisation of borrowing costs when substantially all the actives to prepare the asset for its intended use or sale are complete. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

17 ACCUMULATED SURPLUS

The accumulated surplus of the municipality is affected by only the nett profit or loss during the financial year and is maintained in terms of the relevant accounting policies and GRAP 3.

18 UNAUTHORISED EXPENDITURE

18.1 Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19 IRREGULAR EXPENDITURE

19.1 Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20 FRUITLESS AND WASTEFUL EXPENDITURE

20.1 Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21 COMPARATIVE INFORMATION

21.1 Budget comparatives:

21.1.1 The presentation of budget information was prepared in accordance with the requirements of GRAP 24 as well as the formats contained in the Municipal Budget Reporting Regulations. The presentation of budget information is in line with the basis of accounting per the GRAP Framework.

21.2 Prior year comparatives:

21.2.1 When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

22 LEASES

22.1 The Municipality as Lessee

22.1.1 **Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.**

22.1.2 **Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.**

22.1.3 **Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-line expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative on the time pattern of the lessee's benefit form the use of the leased asset.**

22.2 The Municipality as Lessor

22.2.1 **Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rebate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.**

22.2.2 **Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-line revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.**

23 EMPLOYEE BENEFITS

23.1 Post Retirement Medical Obligations

23.1.1 **The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. After retirement Council pays 70% as contribution and the remaining 30% are paid by the retired members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 - Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.**

23.1.2 These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling the employee to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

23.1.3 Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

23.2 Long Service Awards

23.2.1 Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

23.2.2 Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

23.3 Provision for Staff Leave

23.3.1 Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

23.3.2 Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

23.3.3 Accumulated leave is vesting.

23.4 Performance Bonuses

23.4.1 A provision, in respect of a liability relating to the anticipated costs of performance bonuses payable to Section 56 & 57 employees, is recognised as it accrue to Section 56 & 57 employees.

23.5 Pension and retirement fund obligations

23.5.1 The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year the become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administrated on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

24 INTERNAL FINANCING OF PROPERTY, PLANT AND EQUIPMENT

24.1 In order to finance the provision of infrastructure and other items of property, plant and equipment, amounts are provided from cash surpluses generated and transferred to the Capital Replacement Reserve (CRR).

25 CONTINGENT LIABILITIES

25.1 A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured within sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

26 CONTINGENT ASSET

26.1 A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent asset could also be a present asset that arises from past events, but is not recognised because it is not probable that an inflow of resources embodying economic benefits will be required to the asset or the amount of the asset cannot be measured within sufficient reliability.

Management judgement is required when recognising and measuring contingent assets.

27 COMMITMENTS

27.1 Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

28 RELATED PARTIES

28.1 Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel of the municipality are those persons, directly and indirectly, having authority and responsibility for planning, directing and controlling the activities of the Municipality. Key management is defined as the Municipal Manager, Chief Financial Officer and all other Section 56 & 57 managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

28.2 Any services rendered to and payments made to key management personnel and councillors other than their monthly remuneration will be disclosed appropriate.

29 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

29.1 Post retirement medical obligations and Long service awards

29.1.1 The cost of post retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in the note 11 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

29.2 Impairment of Receivables

29.2.1 The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due. This was performed per identifiable are categories across all debtors.

29.3 Property, Plant and Equipment

29.3.1 The useful lives of property, plant and equipment are based is a matter of judgement base on the experience of the entity with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, tehcnical an other factors. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at the time.

29.3.2 Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

* The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.

* Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.

* The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

*** Whether there is an indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any indication exists, the municipality shall revise the expected useful life and / or residual value accordingly.**

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

*** cost of item with a similar nature currently in the Municipality's asset register;**
*** cost of items with similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other Municipality's asset register is considered to be accurate;**

*** cost as supplied by suppliers.**

For deemed cost applied to land and building as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of assets.

29.4 Investment Property

29.4.1 The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

29.4.2 Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

*** The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.**
*** The Municipality also consulted with professional engineers and qualified valuators to support the useful life of buildings.**

29.5 Provision and Contingent Liabilities

29.5.1 Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

29.6 Revenue Recognition

29.6.1 Accounting Policy 13.1 on Revenue from Exchange Transactions and Accounting Policy 13.2 on Revenue from Non-Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

29.6.2 In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed.

29.6.3 Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when fines are processed on the system. A debtor is created for all unpaid fines on year-end and recoverbility test is performed to calculated any impairments against the debtor.

29.6.4 **The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.**

29.7 **Provision for Landfill Sites**

29.7.1 **The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligation relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.**

29.7.2 **Management referred to the following when making assumptions regarding provisions:**

*** Professional engineers where utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.**

*** Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.**

29.8 **Provision for Staff Leave**

29.8.1 **Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.**

29.9 **Provision for Performance Bonuses**

29.9.1 **The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.**

29.10 **Componentisation of Infrastructure Assets**

29.10.1 **All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to date of initially adopting the standard of GRAP.**

30 **DISTRIBUTION LOSSES**

30.1 **Electricity distribution losses comprises of technical and non-technical losses. Technical losses in electricity are experience due to natural resistivity of the conductors and the energisation of transformers. Non-technical losses are losses due to theft, faulty meters and billing errors. Calculation of the technical losses of the municipal network which consists of urban and rural networks, are calculated applying the methodology in the NRS 080:2004. Non-technical losses is calculated by subtracting technical losses from the total losses.**

30.2 **Water distribution losses comprises of technical and non-technical losses. Technical losses are experience during the purification process of the water. Non-technical losses are losses due to theft, faulty meters, pipe bursts and billing errors. Non-technical losses is calculated by subtracting technical losses from the total losses.**

31 **VALUE ADDED TAX**

31.1 **Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.**

1.1 PROPERTY, PLANT AND EQUIPMENT

30 June 2016 Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community R	Other R	Total R
Carrying Values at 1 July 2015	**151 611 532**	**1 336 497 471**	**68 309 081**	**60 987 098**	**1 617 405 182**
Cost	191 556 228	1 756 129 432	91 453 948	87 051 029	2 126 190 636
Accumulated Depreciation	(39 944 695)	(419 631 961)	(23 144 867)	(26 063 931)	(508 785 454)
Acquisitions	1 051 277	15 623 956	-	1 616 936	18 292 170
Capital Under Construction	-	19 139 853	2 674 100	-	21 813 953
Transferred at cost	1 392 519	(1 392 519)	-	-	-
Depreciation	(5 508 633)	(61 739 403)	(3 795 332)	(10 689 032)	(81 732 401)
Carrying Values of disposals	(18 416)	(2 044 695)	(431 688)	(68 074)	(2 562 872)
Cost	(39 277)	(3 211 222)	(585 011)	(1 345 435)	(5 180 945)
Accumulated Depreciation	20 861	1 166 528	153 324	1 277 362	2 618 074
Impairment loss	-	(272 450)	(13 560)	-	(286 010)
Carrying Values of donations	-	-	-	(501 607)	(501 607)
Cost	-	-	-	(761 363)	(761 363)
Accumulated Depreciation	-	-	-	259 756	259 756
Reversal of impairment loss					
Other Movements / Transfer to inventory	-	(9 103 976)	-	-	(9 103 976)
Cost	-	(12 080 961)	-	-	(12 080 961)
Accumulated Depreciation	-	2 976 986	-	-	2 976 986
Carrying Values at 30 June 2016	**148 528 280**	**1 296 708 237**	**66 742 601**	**51 345 322**	**1 563 324 440**
Cost	193 960 748	1 774 208 538	93 543 037	86 561 167	2 148 273 490
Accumulated Depreciation	(45 432 467)	(477 500 301)	(26 800 436)	(35 215 845)	(584 949 049)

1.1 PROPERTY, PLANT AND EQUIPMENT

30 June 2015 Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Community	Other R	Total R
Carrying Values at 1 July 2014	**154 979 441**	**1 337 533 664**	**67 548 068**	**68 355 489**	**1 628 416 663**
Cost	189 601 712	1 700 178 632	87 332 729	89 610 326	2 066 723 399
Balance Previously Reported	189 917 055	1 685 761 071	87 203 486	89 610 326	2 052 491 938
Correction of Error - refer to note 35.4	(186 100)	14 417 560	-	-	14 231 460
Transferred	(129 243)	-	129 243	-	-
Accumulated Depreciation	(34 622 270)	(362 644 968)	(19 784 661)	(21 254 837)	(438 306 736)
Balance Previously Reported	(34 655 986)	(362 908 576)	(19 750 946)	(10 515 035)	(427 830 542)
Correction of Error - refer to note 35.4	-	263 608	-	(10 739 802)	(10 476 194)
Transferred	33 716	-	(33 716)	-	-
Acquisitions	31 384	25 833 651	6 209 673	1 198 429	33 273 137
Balance Previously Reported	31 384	25 556 656	6 209 673	1 198 429	32 996 142
Correction of Error - refer to note 35.4	-	276 995	-	-	276 995
Capital Under Construction	-	38 473 274	298 379	-	38 771 653
Transferred	2 169 480	-	(2 169 480)	-	-
Balance Previously Reported	-	-	-	-	-
Correction of Error - refer to note 35.4	2 169 480	-	(2 169 480)	-	-
Depreciation	(5 450 684)	(60 331 964)	(3 350 271)	(6 167 519)	(75 300 437)
Balance Previously Reported	(5 456 303)	(60 357 544)	(3 344 652)	(2 857 223)	(72 015 721)
Correction of Error - refer to note 35.4	-	35 086	-	(3 310 296)	(3 275 210)
Transferred	5 619	(9 506)	(5 619)	-	(9 506)

1.1 PROPERTY, PLANT AND EQUIPMENT

Carrying Values of disposals	(118 090)	(5 011 155)	(99 277)	(40 718)	(5 269 240)
Cost	(246 348)	(8 356 126)	(217 353)	(3 634 275)	(12 454 102)
Accumulated Depreciation	128 259	3 344 971	118 077	3 593 556	7 184 862
Impairment loss	-	-	(128 011)	(2 343 187)	(2 471 199)
Balance Previously Reported	-	-	(128 011)	(2 993 977)	(3 121 989)
Correction of Error - refer to note 35.4	-	-	-	650 790	650 790
Carrying Values of donations	-	-	-	(15 395)	(15 395)
Cost	-	-	-	(123 451)	(123 451)
Accumulated Depreciation	-	-	-	108 056	108 056
Carrying Values at 30 June 2015	**151 611 532**	**1 336 497 471**	**68 309 081**	**60 987 098**	**1 617 405 182**
Cost	191 556 228	1 756 129 432	91 453 948	87 051 029	2 126 190 636
Accumulated Depreciation	(39 944 695)	(419 631 961)	(23 144 867)	(26 063 931)	(508 785 454)

Note	Description	2016 R	2015 R
1.2	**INTANGIBLE ASSETS**		
	Carrying value as at 1 July	**3 372 323**	**3 518 556**
	Cost	4 665 593	4 582 191
	Accumulated amortisation and impairment losses	(1 293 270)	(1 063 636)
	Acquisitions	29 962	83 401
	Amortisation for the year	(233 837)	(229 634)
	Carrying value as at 30 June	**3 168 448**	**3 372 323**
	Cost	4 695 555	4 665 593
	Accumulated amortisation and impairment losses	(1 527 107)	(1 293 270)

The amortisation expense has been included in the line item Depreciation and Amortisation in the statement of Financial Performance 27

All of the Municipality's Intangible Assets are held under freehold interest and no Intangible Assets had been pledged as security for any liabilities of the Municipality.

No restrictions apply to any of the Intangible Assets of the Municipality.

The Municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

No impairment losses have been recognised on Intangible Assets of the Municipality at the reporting

1.3	**INVESTMENT PROPERTY AT FAIR VALUE**		
	Reconciliation of fair value		
	Balance as at 1 July	**223 241 449**	**221 085 402**
	Disposal	(18 686 774)	(18 472 158)
	Fair value adjustment	(2 210 078)	20 628 205
	Balance Previously Reported		15 024 674
	Correction of Error - refer to note 35.5		5 603 531
	Carrying value as at 30 June	**202 344 597**	**223 241 449**

Note	Description	2016 R	2015 R
	All of the Municipality's Investment Property is held under freehold interest and no Investment Property had been pledged as security for any liabilities of the municipality. The effective date of the revaluations was 30 June 2016. Revaluations were performed by independent valuers, DDP Valuers, which are not connected to the entity and have recent experience in location and ategory of the investment property being valued. Properties were valued on the comparitive sales method of valuation, based on the active market values in the area. The Fair Value of Investment Properties was determined by a qualified valuer based on current market prices. The current demand in property in Upington resulted in an increase in property prices. There are no contractual obligations on Investment Property. No impairment losses have been recognised on Investment Property of the Municipality at the reporting date.		

1.4 HERITAGE ASSETS

30 June 2016 Reconciliation of Carrying Value		Cultural Land and Buildings R	Historical Sites R	National Monuments R	Total R
Carrying Values at 1 July 2015		**4 273 000**	**26 000**	**10 000**	**4 309 000**
Cost		4 273 000	26 000	10 000	4 309 000
Accumulated Depreciation		-	-	-	-
Acquisitions		-	-	-	-
Depreciation		-	-	-	-
Carrying Values at 30 June 2016		**4 273 000**	**26 000**	**10 000**	**4 309 000**
Cost		4 273 000	26 000	10 000	4 309 000
Accumulated Depreciation		-	-	-	-

30 June 2015 Reconciliation of Carrying Value		Cultural Land and Buildings R	Historical Sites R	National Monuments R	Total R
Carrying Values at 1 July 2014		**4 273 000**	**26 000**	**10 000**	**4 309 000**
Cost		4 273 000	26 000	10 000	4 309 000
Balance Previously Reported		4 273 000	26 000	10 000	4 309 000
Accumulated Depreciation		-	-	-	-
Accumulated Depreciation		-	-	-	-
Acquisitions		-	-	-	-
Depreciation		-	-	-	-
Carrying Values at 30 June 2015		**4 273 000**	**26 000**	**10 000**	**4 309 000**
Cost		4 273 000	26 000	10 000	4 309 000
Accumulated Depreciation		-	-	-	-

All of the Municipality's Heritage Assets are held under freehold interest and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the Municipality.

The effective date of the revaluations was 1 July 2012. Cost was determined by independent valuers, Van Rensburg Auctions, which are not connected to the municipality and have recent experience in location and category of the heritage assets.

The heritage assets' values were determined directly by reference to resale value of the material of the asset or scrap metal.

The Municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

Note	Description	2016 R	2015 R

2 NON-CURRENT RECEIVABLES

Sundry Loans	17 135	23 308
Less: Current portion transferred to current assets	(8 037)	(4 910)
Total Non-Current Receivables	**9 098**	**18 398**

The Municipality does not hold deposits or any other security for its Long-Term Receivables.

These receivables are not regarded as loans as this was incorrect payments to employees which is recovered in terms of affordability and the Basic Conditions Act.

No Long-Term Receivables have been pledged as security for the Municipality's financial liabilities.

3 INVENTORY

Consumable Stores – at Cost	10 813 991	5 419 610
Unsold water - at Cost	198 725	182 505
Total Inventory	**11 012 716**	**5 602 115**

Inventories are held for own use and measured at the lower of Cost, Current Replacement Cost or Net Reliasable Value.

No inventories have been pledged as collateral for Liabilities of the Municipality.

An inventory loss to the amount of R 3 762 646 (2015 - R 191 838 loss) have been accounted during the year under review.

Included in consumable stock, is slow moving stock (stock showing no movement for the last 365 days) amounting to R 647 462 (2015 - R 1 320 778).

The value and quantity of unsold water at year-end was calculated on a management estimate based on the % of the capacity of the water storage facilities and the cost per kl water purified during the financial year.

4 TRADE RECEIVABLES

As at 30 June 2016	**Gross Balances**	**Provision for Bad Debts**	**Net Balance**
Trade receivables from Exchange Transactions	74 527 967	(18 623 561)	55 904 406
Trade receivables from Non-Exchange Transactions	13 548 184	(3 200 196)	10 347 989
Total Trade Receivables	**88 076 152**	**(21 823 757)**	**66 252 395**

Note	Description	2016 R	2015 R

Trade receivables from Exchange Transactions	Gross Balances	Provision for Bad Debts	Net Balance
	R	R	R
Consumer Debtors per Suburb			
Akademia	611 089	(152 214)	458 875
Dakotaweg	681 146	(68 592)	612 555
Blydeveld	545 161	(37 712)	507 449
Commonage	124 475	(1 290)	123 184
Dakotaweg	106 693	(20 633)	86 061
Die Rand	1 732 098	(130 623)	1 601 475
Florapark	473 768	(32 336)	441 432
Gordonia Farming Areas	570 145	(101 747)	468 398
Industrial Areas	1 984 480	(150 590)	1 833 890
Kalksloot	81 261	(1 870)	79 391
Kameelmond / Lemoendraai	311 888	(27 217)	284 670
Karos	634 582	(494 700)	139 883
Karos Farming Areas	155 233	(18 690)	136 543
Keidebees	67 476	(367)	67 109
Kenhardt Farming Areas	225 115	(21 076)	204 038
Lambrechtsdrift	363 788	(152 968)	210 820
Leerkrans	331 962	(104 908)	227 054
Leseding	19 985	(2 194)	17 791
Louisvale Dorp	558 496	(41 417)	517 079
Louisvaleweg	1 229 434	(241 427)	988 007
Middelpos	682 914	(43 282)	639 632
Morning Glory	1 161 059	(170 720)	990 339
Ntsekelelo	10 028	(1 808)	8 220
Olyvenhoutsdrift Farming Areas	287 579	(20 332)	267 247
Oosterville	1 146 659	(82 455)	1 064 204
Other	12 752 468	(12 752 468)	-
Paballelo	8 770 809	(1 963 570)	6 807 239
Progress	2 412 435	(297 579)	2 114 856
Raaswater	1 356 815	(446 015)	910 800
Riverside	443 741	(25 370)	418 371
Rosedale	5 714 352	(812 361)	4 901 990
Sesbrugge / Klippunt	10 814	(368)	10 446
Town Centre / Business Area	2 490 552	(161 894)	2 328 657
Upington Farming Areas	359 721	(29 188)	330 533
Vaalkoppies Farming Areas	71 736	(13 582)	58 154
Sub-Total	48 479 952	(18 623 561)	29 856 391
Provision for income not yet billed	18 617 827	-	18 617 827
Sub-Total	67 097 779	(18 623 561)	48 474 218
Plus: Amounts received in advance	7 430 188	-	7 430 188
Total	**74 527 967**	**(18 623 561)**	**55 904 406**

Note	Description	2016 R	2015 R

Trade receivables from Non-Exchange Transactions **As at 30 June 2016**	Gross Balances **R**	Provision for Bad Debts **R**	Net Balance **R**
Consumer Debtors per group			
Akademia	177 732	(69 736)	107 996
Dakotaweg	139 697	(13 006)	126 691
Blydeveld	559 318	(156 203)	403 115
Commonage	247 630	(4 181)	243 448
Dakotaweg	8 251	(521)	7 730
Die Rand	197 597	(11 301)	186 296
Florapark	110 249	(5 199)	105 050
Gordonia Farming Areas	1 005 235	(215 407)	789 827
Industrial Areas	115 891	(5 249)	110 642
Kalksloot	100 648	(14 163)	86 485
Kameelmond / Lemoendraai	66 603	(6 603)	60 000
Karos	83 786	(44 475)	39 311
Karos Farming Areas	291 733	(51 611)	240 122
Keidebees	307 969	(29 118)	278 851
Kenhardt Farming Areas	176 195	(7 658)	168 537
Lambrechtsdrift	94 791	(65 149)	29 643
Leerkrans	82 322	(30 475)	51 847
Leseding	608	(28)	580
Louisvale Dorp	548 971	(109 400)	439 571
Louisvaleweg	315 292	(66 491)	248 801
Middelpos	160 180	(12 518)	147 663
Morning Glory	290 327	(38 453)	251 874
Ntsekelelo	3 928	(401)	3 527
Olyvenhoutsdrift Farming Areas	216 874	(17 520)	199 354
Oosterville	318 138	(14 990)	303 148
Other	1 512 419	(1 512 419)	-
Paballelo	1 307 779	(224 000)	1 083 779
Progress	617 687	(102 784)	514 903
Raaswater	277 245	(85 689)	191 557
Riverside	163 272	(15 343)	147 930
Rosedale	976 807	(153 832)	822 976
Sesbrugge / Klippunt	5 893	(644)	5 250
Town Centre / Business Area	1 065 275	(91 394)	973 881
Upington Farming Areas	154 884	(18 399)	136 485
Vaalkoppies Farming Areas	53 965	(5 840)	48 125
Sub-Total	11 755 190	(3 200 196)	8 554 994
Plus: Amounts received in advance	1 169 207	-	1 169 207
Traffic Fines	623 787	-	623 787
Total	**13 548 184**	**(3 200 196)**	**10 347 989**

Note	Description	2016 R	2015 R

As at 30 June 2015	Gross Balances	Provision for Bad Debts	Net Balance
Trade receivables from Exchange Transactions	65 054 697	(12 747 969)	52 306 729
Trade receivables from Non-Exchange Transactions	8 294 442	(819 729)	7 474 713
Total Trade Receivables	**73 349 139**	**(13 567 698)**	**59 781 442**

Trade receivables from Exchange Transactions	Gross Balances R	Provision for Bad Debts R	Net Balance R
Consumer Debtors per group			
Akademia	158 558	(10 083)	148 475
Dakotaweg	807 016	(124 127)	682 889
Blydeveld	356 031	(22 203)	333 828
Commonage	3 491 369	(324 016)	3 167 353
Dakotaweg	116 179	(31 159)	85 020
Die Rand	2 259 120	(154 683)	2 104 438
Florapark	360 920	(27 723)	333 197
Gordonia Farming Areas	169 028	(27 302)	141 726
Industrial Areas	3 473 669	(266 253)	3 207 416
Kalksloot	390 740	(141 242)	249 498
Kameelmond / Lemoendraai	244 289	(46 692)	197 597
Karos	447 855	(373 547)	74 308
Karos Farming Areas	72 340	(65 147)	7 192
Keidebees	893 408	(72 116)	821 292
Kenhardt Farming Areas	515 955	(51 708)	464 248
Lambrechtsdrift	325 505	(314 725)	10 780
Leerkrans	276 674	(197 398)	79 276
Leseding	210	(6)	204
Louisvale Dorp	860 126	(86 165)	773 960
Louisvaleweg	1 539 930	(459 257)	1 080 672
Middelpos	649 843	(39 343)	610 500
Morning Glory	1 318 120	(333 874)	984 246
Ntsekelelo	28	(28)	-
Olyvenhoutsdrift Farming Areas	442 408	(31 438)	410 970
Oosterville	918 087	(58 883)	859 204
Upington	5 040 850	(2 005 838)	3 035 012
Paballelo	6 421 657	(2 757 958)	3 663 699
Progress	3 056 651	(916 906)	2 139 745
Raaswater	2 548 760	(2 364 479)	184 281
Riverside	1 553 534	(119 907)	1 433 626
Rosedale	3 267 194	(941 705)	2 325 488
Sesbrugge / Klippunt	89 193	(5 798)	83 396
Town Centre / Business Area	4 749 028	(338 644)	4 410 384
Upington Farming Areas	199 686	(14 001)	185 685
Vaalkoppies Farming Areas	53 603	(23 614)	29 988
Sub-Total	47 067 562	(12 747 969)	34 319 593
Provision for income not yet billed	17 583 032	-	17 583 032
	64 650 594	(12 747 969)	51 902 626
Plus: Amounts received in advance	404 103	-	404 103
Total	**65 054 697**	**(12 747 969)**	**52 306 729**

Note	Description	2016 R	2015 R

Trade receivables from Non-Exchange Transactions **As at 30 June 2015**	Gross Balances **R**	Provision for Bad Debts **R**	Net Balance **R**
Consumer Debtors per group			
Akademia	(681)	-	(681)
Dakotaweg	138 782	(12 185)	126 598
Blydeveld	114 241	(4 390)	109 851
Commonage	140 250	(15 354)	124 896
Dakotaweg	(88)	-	(88)
Die Rand	587 840	(38 353)	549 487
Florapark	93 129	(4 879)	88 251
Gordonia Farming Areas	1 198 602	(150 834)	1 047 769
Industrial Areas	390 086	(27 240)	362 846
Kalksloot	9 390	(2 961)	6 429
Kameelmond / Lemoendraai	68 356	(7 686)	60 669
Karos	3 213	(1 004)	2 209
Karos Farming Areas	253 618	(87 539)	166 079
Keidebees	(1 217 673)	-	(1 217 673)
Kenhardt Farming Areas	103 528	(13 201)	90 327
Lambrechtsdrift	7 880	(7 371)	508
Leerkrans	11 035	(2 619)	8 416
Leseding	(200)	-	(200)
Louisvale Dorp	27 317	(23 969)	3 348
Louisvaleweg	5 088	(71)	5 018
Middelpos	211 527	(8 976)	202 551
Morning Glory	86 896	(10 985)	75 911
Ntsekelelo	253	(252)	0
Olyvenhoutsdrift Farming Areas	28 490	(782)	27 709
Oosterville	312 796	(17 548)	295 248
Upington	495 873	(197 762)	298 110
Paballelo	79 538	(8 108)	71 430
Progress	82 009	(4 391)	77 618
Raaswater	36 037	(29 068)	6 969
Riverside	184 494	(6 006)	178 487
Rosedale	133 480	(11 795)	121 685
Sesbrugge / Klippunt	(4 286)	-	(4 286)
Town Centre / Business Area	881 644	(47 235)	834 409
Upington Farming Areas	41 318	(3 021)	38 297
Vaalkoppies Farming Areas	158 219	(74 145)	84 074
Sub-Total	4 662 000	(819 729)	3 842 270
Amounts received in advance	3 343 823	-	3 343 823
Traffic Fines	288 619	-	288 619
Total	**8 294 442**	**(819 729)**	**7 474 713**

The Municipality did not pledge any of its Receivables as security for borrowing purposes.

Note	Description	2016 R	2015 R
	Ageing of Receivables from Exchange Transactions:		
	Electricity: Ageing		
	Current (0 - 30 days)	610 011.73	10 241 596
	31 - 60 Days	220 556.67	129 752
	61 - 90 Days	142 077.79	65 773
	91 - 120 Days	25 802.55	48 946
	+ 120 Days	437 467.31	1 038 985
		1 435 916.05	11 525 052
	Water: Ageing		
	Current (0 - 30 days)	2 251 539.15	2 510 209
	31 - 60 Days	739 999.20	588 315
	61 - 90 Days	674 037.90	407 022
	91 - 120 Days	147 633.27	387 591
	+ 120 Days	1 757 183.62	7 357 833
		5 570 393.14	11 250 970
	Refuse: Ageing		
	Current (0 - 30 days)	3 142 629.75	1 300 378
	31 - 60 Days	769 185.54	503 759
	61 - 90 Days	517 245.95	261 389
	91 - 120 Days	175 966.72	235 462
	+ 120 Days	2 345 563.45	3 314 671
		6 950 591.41	5 615 659
	Sewerage: Ageing		
	Current (0 - 30 days)	2 708 258.85	1 545 126
	31 - 60 Days	888 990.41	421 221
	61 - 90 Days	664 650.88	168 711
	91 - 120 Days	197 910.88	144 494
	+ 120 Days	2 137 723.11	2 123 104
		6 597 534.13	4 402 656
	VAT: Ageing		
	Current (0 - 30 days)	3 103 342.78	2 381 109
	31 - 60 Days	1 090 058.56	398 023
	61 - 90 Days	2 845 973.37	165 526
	91 - 120 Days	261 978.78	154 979
	+ 120 Days	2 623 246.31	2 074 038
		9 924 599.80	5 173 675

Note	Description	2016 R	2015 R
	Other: Ageing		
	Current (0 - 30 days)	7 687 272.37	1 115 111
	31 - 60 Days	1 923 864.41	978 403
	61 - 90 Days	2 277 143.51	388 884
	91 - 120 Days	791 610.89	391 714
	+ 120 Days	5 321 026.21	6 225 439
		18 000 917.39	9 099 550
	Total: Ageing		
	Current (0 - 30 days)	19 503 054.63	19 093 529
	31 - 60 Days	5 632 654.79	3 019 473
	61 - 90 Days	7 121 129.40	1 457 305
	91 - 120 Days	1 600 903.09	1 363 186
	+ 120 Days	14 622 210.01	22 134 070
		48 479 951.92	47 067 562

The total ageing does not include the provision for income not yet billed of R 18 617 827 (2015: R 17 583 032) and income received in advance of R 7 430 188 (2015: R 404 103).

Ageing of Receivables from Non-Exchange Transactions:

Rates: Ageing

Current (0 - 30 days)	4 698 994.38	3 695 368
31 - 60 Days	1 363 289.62	290 455
61 - 90 Days	919 524.01	197 934
91 - 120 Days	312 395.87	196 066
+ 120 Days	4 460 986.20	282 177
	11 755 190.08	4 662 000

The ageing does not include income received in advance of R 1 169 207 (2015: R 3 343 823) and traffic fines.

Note	Description	2016 R	2015 R

Payments received are being prioritised in the following order:

- Property Rates
- Refuse and Sanitation
- Water
- Electricity

Reconciliation of the Provision for Impairment

Balance at beginning of the year	13 567 698	9 324 145
Provision for bad debt	21 160 092	7 597 071
Amounts written off as uncollectable	(12 904 033)	(3 353 518)
Balance at the end of the year	21 823 757	13 567 698
Receivables from Exchange Transactions	18 623 561	12 747 969
Receivables from Non-Exchange Transactions	3 200 196	819 729

Receivables from Exchange Transactions are billed monthly. No interest is charged on Receivables until the next billing period in the following month. Thereafter interest is charged at a rate determined by Council on the outstanding balance.

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

The Municipality did not pledge any of its Receivables as security for borrowing purposes.

Concentrations of credit risk with respect to trade receivables are limited due to the Municipality's large number of customers. The Municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the Municipality's trade receivables.

5 OTHER RECEIVABLES

Sundry Debtors	1 985 798	925 833
Total Other Receivables	**1 985 798**	**925 833**

Due to the short term nature of these items, the carrying value approximated the fair value

Note	Description	2016 R	2015 R
6	**UNPAID CONDITIONAL GRANTS AND RECEIPTS**		
	Conditional Grants From Other Spheres of Government		
	MIG	2 234 168	1 036 459
	EPWP - Provincial	662 079	647 169
	Other	-	207 706
	Total Unpaid Conditional Grants and Receipts	**2 896 247**	**1 891 334**
7	**SHORT TERM INVESTMENTS**		
	Total short-term Investments	21 154 343	684 800
	Less: Investments qualifying as Cash and Cash Equivalents	(21 154 343)	(684 800)
	Total Short Term Investments	**-**	**-**

Investments with a maturity term of less than 3 months (90 days) are reclassified and disclosed as cash and cash equivalents.

It is council policy to invest surplus cash for periods not exceeding 12 months.

Note	Description		2016 R	2015 R
8	**CASH AND CASH EQUIVALENTS**			
	Cashier's Float		3 490	3 490
	Petty Cash		2 000	2 000
	Investments qualifying as Cash and Cash Equivalents		21 154 343	684 800
	Cash book balance of traffic account		199 895	751 383
	Total Cash and Cash Equivalents		**21 359 728**	**1 441 674**
	Current Account (Traffic Bank Account)			
	ABSA Bank Limited - Upington Branch: Account Number 40-8511-2448			
	Cash Book Balance at Beginning of Year		751 383	-
	Cash Book Balance at End of Year		199 895	751 383
	Bank Statement Balance at Beginning of Year		545 075	-
	Bank Statement Balance at End of Year		591 596	545 075
	The account was opened on the 13th of October 2014.			
	Investments qualifying as Cash and Cash Equivalents:			
	ABSA Bank: //Khara Hais Municipality	90-8329-4211	25 422	4 289
	ABSA Bank: Gordonia Oord	20-6231-7138	-	516 852
	First National Bank: //Khara Hais Municipality	710-3761-2332	-	163 659
	Investec Bank	1100-528419-620	17 710 794	-
	Investec Bank	1100-528419-621	3 418 127	
			21 154 343	**684 800**

Note	Description	2016 R	2015 R
9	**NON-CURRENT BORROWINGS**		
	Annuity Loans	124 378 070	123 069 195
	Less : Current portion transferred to current liabilities	(11 314 125)	(17 060 136)
	Total Non-Current Borrowings	**113 063 944**	**106 009 059**

DBSA Installments of June 2015 to the amount of R 5 728 018 was not paid during the year under review. All DBSA loans were restructered as per agreement on 19 July 2016 with monthly payments commencing from the end of July 2016. All interest payable on these loans were capitalised as part of the restructering agreement.

(Refer to Appendix A for more detail on long-term liabilities)

Note	Description	2016 R	2015 R
10	**EMPLOYEE BENEFITS**		
	Post Retirement Medical Benefits	84 327 562	67 867 611
	Long-Service Awards	11 151 840	11 067 683
	Total Non-current Employee Benefit Liabilities	**95 479 402**	**78 935 294**
10.1	**POST RETIREMENT MEDICAL BENEFITS**		
		2016	**2015**
	Balance 1 July	70 433 860	71 904 000
	Contribution for the year	3 760 061	3 517 000
	Interest Cost	6 173 629	6 475 000
	Expenditure for the year	(2 504 866)	(2 289 559)
	Actuarial (Gain)	12 349 485	(9 172 581)
	Past Service Cost	(3 282 131)	-
		86 930 038	70 433 860
	Portion	(2 602 476)	(2 566 248)
	Net Post-Employment Health Care Benefit Liability	**84 327 562**	**67 867 611**
10.2	**LONG SERVICE AWARDS**		
	Balance 1 July	12 077 361	13 078 000
	Contribution for the year	1 255 503	1 323 000
	Interest Cost	933 897	1 056 000
	Expenditure for the year	(218 915)	(213 654)
	Actuarial (Gain)	(1 468 959)	(3 165 985)
		12 578 886	12 077 361
	Portion	(1 427 046)	(1 009 677)
	Net Long Service Awards Liability	**11 151 840**	**11 067 683**
	TOTAL NON-CURRENT EMPLOYEE BENEFITS		
	Balance 1 July	82 511 220	84 981 999
	Contribution for the year	5 015 564	4 840 000
	Interest Cost	7 107 526	7 531 000
	Expenditure for the year	(2 723 781)	(2 503 213)
	Actuarial (Gain)	10 880 526	(12 338 566)
	Past Service Cost	(3 282 131)	-
		99 508 924	82 511 220
	Portion	(4 029 522)	(3 575 926)
	Net Post-Employment Health Care Benefit Liability	**95 479 402**	**78 935 294**

Note	Description	2016 R	2015 R
	Post Retirement Benefits		
	The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:		
	- In-service (employees) members	426	417
	- In-service (employee) non-members	347	347
	- Continuation members (e.g. Retirees, widows, orphans)	70	73
	Total	**843**	**837**
	The liability in respect of past service has been estimated to be as follows:		
	- In-service members	40 896 463	29 965 260
	- Continuation members	35 984 148	31 807 332
	- In-Service non-members	10 049 427	8 661 267
		86 930 038	70 433 860

The liability in respect of periods commencing prior to the comparitive year has been estimated as follows:

	2016 R millions	2015 R millions	2014 R millions	2013 R millions	2012 R millions
Members	86.930	70.434	71.904	69.966	62.576
Total Liability	**86.930**	**70.434**	**71.904**	**69.966**	**62.576**

	2016 R millions	2015 R millions
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / Loss	(4.205)	(8.599)
Assets: Gain / (Loss)	-	-

The liability in respect of periods commencing prior to the comparitive year has been estimated as follows:

	2014 R millions	2013 R millions	2012 R millions
Liabilities: (Gain) / Loss	(5.837)	2.658	(2.220)
Assets: Gain / (Loss)	-	-	-

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Note	Description	2016 R	2015 R
	- Bonitas - Hosmed - LA Health - Keyhealth - Samwumed - Fed Health		
	Key acturarial assumptions used:		
	The principal assumptions used for the purposes of the actuarial valuations were as follows:		
	Rate of interest		
	Discount rate	9.49%	8.92%
	Health Care Cost Inflation Rate	8.54%	8.01%
	Net Effective Discount Rate	0.88%	0.85%
	Mortality rates		
	The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries		
	Normal retirement age		
	It has been assumed that in-service members will retire at an average age of 63, which then implicitly allows for expected rates of early and ill-health retirement.		
	The amounts recognised in the Statement of Financial Position are as follows:		
	Present value of fund obligations	86 930 038	70 433 860
	Net liability/(asset)	**86 930 038**	**70 433 860**

Note	Description	2016 R	2015 R
	The Municipality has elected to recognise the full increase in this defined benefit liability immediately		
	Balance 1 July	70 433 860	71 904 000
	Contribution for the year	3 760 061	3 517 000
	Interest Cost	6 173 629	6 475 000
	Expenditure for the year	(2 504 866)	(2 289 559)
	Actuarial (Gain)	12 349 485	(9 172 581)
	Past Service Cost	(3 282 131)	-
		86 930 038	70 433 860
	Portion	(2 602 476)	(2 566 248)
	Net Post-Employment Health Care Benefit Liability	**84 327 562**	**67 867 611**

Sensitivity Analysis on the Accrued Liability	**In-Service members liability**	**Continuation member liability**	
Assumption	**R millions**	**R millions**	**Total liability R millions**
Central Assumptions	50.946	35.984	86.930

The effect of movements in the assumptions are as follows:

Assumptions	**Change**	**In-Service members liability R millions**	**Continuation member liability R millions**	**Total liability R millions**	**Change %**
Health care inflation	1%	55.306	37.312	92.618	7%
Health care inflation	-1%	44.844	34.173	79.017	-9%
Discount Rate	1%	41.645	32.821	74.467	-14%
Discount Rate	-1%	63.047	39.716	102.763	18%
Post-Retirement mortality	-1 year	52.550	37.226	89.777	3%
Average retirement age	-1 year	53.895	35.984	89.879	3%
Continuation of membership at retirement	-10%	44.229	35.984	80.213	-8%

Sensitivity Analysis on Current-service and Interest Cost for the year ending 30 June 2016

The effect of movements in the assumptions are as follows:

Assumptions	**Change**	**Current Service Cost R millions**	**Interest Cost R millions**	**Total R millions**	**Change %**
Central Assumptions		3.7601	6.1736	9.9337	
Health Care Inflation	1%	3.9689	6.4280	10.3969	5%
Health Care Inflation	-1%	3.5121	5.8710	9.3831	-6%
Discount Rate	1%	3.1460	5.9775	9.1235	-8%
Discount Rate	-1%	4.5454	6.3649	10.9103	10%
Post-retirement mortality	-1 year	3.8486	6.3382	10.1868	3%
Average retirement age	-1 year	4.0606	6.5239	10.5845	7%
Continuation of membership at retirement	-10%	3.2592	5.7235	8.9827	-10%

Note	Description				2016 R	2015 R
	Sensitivity Analysis on Current-service and Interest Cost for the year ending 30 June 2017					
	The effect of movements in the assumptions are as follows:					
	Assumptions	**Change**	**Current Service Cost R millions**	**Interest Cost R millions**	**Total R millions**	**Change %**
	Central Assumptions		4.6581	8.1295	12.7876	
	Health Care Inflation	1%	5.0876	8.6693	13.7569	8%
	Health Care Inflation	-1%	4.0405	7.3785	11.4190	-11%
	Discount Rate	1%	3.7586	7.6789	11.4375	-11%
	Discount Rate	-1%	5.8400	8.6170	14.4570	13%
	Post-retirement mortality	-1 year	4.8049	8.3997	13.2046	3%
	Average retirement age	-1 year	4.8986	8.4093	13.3079	4%
	Continuation of membership at retirement	-10%	3.9918	7.4921	11.4839	-10%
	Long Service Bonuses				**Employees**	**Employees**
	The Long Service Bonus plans are defined benefit plans					
	As at year end, the following number of employees were eligible for Long Service Bonuses				766	764
	Rate of interest					
	Discount rate				8.53%	8.06%
	General Salary Inflation (Long-Term)				7.19%	7.10%
	Nett Effective Discount Rate applied to salary-related Long Service Bonuses				1.25%	0.90%
	The amounts recognised in the Statement of Financial Position are as follows:					
	Present value of fund obligations				12 578 886	12 077 361
	Net liability				**12 578 886**	**12 077 361**

Note	Description	2016 R	2015 R

The liability in respect of periods commencing prior to the comparitive year has been estimated as follows:

	2016 R millions	2015 R millions	2014 R millions	2013 R millions	2012 R millions
Members	12.579	12.077	13.078	12.195	10.882
Total Liability	**12.579**	**12.077**	**13.078**	**12.195**	**10.882**

	2016 R millions	2015 R millions
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / Loss	(1.135)	(2.897)
Assets: Gain / (Loss)	-	-

The liability in respect of periods commencing prior to the comparitive year has been estimated as follows:

	2014 R millions	2013 R millions	2012 R millions
Liabilities: (Gain) / Loss	(0.049)	0.079	0.484
Assets: Gain / (Loss)	-	-	-

Note	Description	2016 R	2015 R
	Balance 1 July	12 077 361	13 078 000
	Contribution for the year	1 255 503	1 323 000
	Interest Cost	933 897	1 056 000
	Expenditure for the year	(218 915)	(213 654)
	Actuarial (Gain)	(1 468 959)	(3 165 985)
		12 578 886	12 077 361
	Portion	(1 427 046)	(1 009 677)
	Net Post-Employment Health Care Benefit Liability	**11 151 840**	**11 067 683**

Sensitivity Analysis on the Accrued Liability

Assumptions	Change	Liability R millions	Change %
Central assumptions	-	12.579	-
General salary inflation	+ 1%	13.398	7%
General salary inflation	- 1%	11.837	-6%
Discount rate	+ 1%	11.787	-6%
Discount rate	- 1%	13.470	7%
Average retirement age	-2 yrs	11.678	-7%
Average retirement age	+2 yrs	13.734	9%
Withdrawal rates	-50%	14.451	15%

Sensitivity Analysis on Current-service and Interest Cost for the year ending 30 June 2016

The effect of movements in the assumptions are as follows:

Assumptions	Change	Current Service Cost R millions	Interest Cost R millions	Total R millions	Change %
Central Assumptions		1.2555	0.9339	2.1894	
General Salary Inflation	1%	1.3581	1.0000	2.3581	8%
General Salary Inflation	-1%	1.1638	0.8742	2.0380	-7%
Discount Rate	1%	1.1685	0.9778	2.1463	-2%
Discount Rate	-1%	1.3543	0.8814	2.2357	2%
Average retirement age	-2 year	1.2008	0.8611	2.0619	-6%
Average retirement age	+2 year	1.3415	1.0240	2.3655	8%
Withdrawal Rate	-50%	1.5760	1.1012	2.6772	22%

Sensitivity Analysis on Current-service and Interest Cost for the year ending 30 June 2017

The effect of movements in the assumptions are as follows:

Assumptions	Change	Current Service Cost R millions	Interest Cost R millions	Total R millions	Change %
Central Assumptions		1.2870	1.0132	2.3002	
General Salary Inflation	1%	1.3892	1.0828	2.4720	7%
General Salary Inflation	-1%	1.1954	0.9502	2.1456	-7%
Discount Rate	1%	1.2006	1.0567	2.2573	-2%
Discount Rate	-1%	1.3848	0.9614	2.3462	2%
Average retirement age	-2 year	1.2280	0.9361	2.1641	-6%
Average retirement age	+2 year	1.3780	1.1117	2.4897	8%
Withdrawal Rate	-50%	1.5790	1.1729	2.7519	20%

Note	Description	2016 R	2015 R
11	**NON-CURRENT PROVISIONS**		
	Landfill Site - Environmental Rehabilitation	3 791 554	3 456 131
	Quarries - Environmental Rehabilitation	15 876 293	15 554 251
	Balance at the end of the period	**19 667 847**	**19 010 382**
11.1	**Landfill Site - Environmental rehabilitation**		
	Balance beginning of the period	3 643 466	3 851 413
	Reversal of a provision	-	(207 947)
	Interest Cost	187 335	-
	Change in provision of obligation	-	-
		3 830 801	3 643 466
	Less: Transfer of Current Portion	(39 247)	(187 335)
	Balance at the end of the period	**3 791 554**	**3 456 131**
	//Khara Hais Municipality currently operates a landfill site. Environmental rehabilitation – environmental obligation to rehabilitate the various landfill sites upon closure.		
	De Duine Landfill Site	3 067 488	2 917 481
	Leerkrans Landfill Site	763 312	725 985
	Total Landfill site rehabilitation	**3 830 801**	**3 643 466**
	In terms of the licencing of the landfill refuse sites, the Municipality will incur rehabilitation costs to restore the sites at the end of their useful lives. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.		
11.2	**Landfill Site - Environmental rehabilitation**		
	Balance beginning of the period	15 877 275	15 588 881
	Balance Previously Reported		-
	Correction of Error - refer to note 35.6		15 588 881
	Interest Cost	323 024	288 394
	Balance Previously Reported		-
	Correction of Error - refer to note 35.6		288 394
		16 200 299	15 877 275
	Less: Transfer of Current Portion	(324 006)	(323 024)
	Balance Previously Reported		-
	Correction of Error - refer to note 35.6		(323 024)
	Balance at the end of the period	**15 876 293**	**15 554 251**
	//Khara Hais Municipality currently operates 2 quarries (one rock and one sand) while the 3rd quarry in not in use currently. The municipality have an environmental obligation to rehabilitate the various landfill sites upon closure.		
	Spitskop Quarry (Rock)	4 199 100	4 115 373
	Louisvale Road (Rock)	8 660 224	8 487 544
	Keidebees Quarry (Sand)	3 340 975	3 274 358
	Total Quarries rehabilitation	**16 200 299**	**15 877 275**
	In terms of the licencing of the landfill refuse sites, the Municipality will incur rehabilitation costs to restore the sites at the end of their useful lives. Provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.		

Note	Description	2016 R	2015 R
12	**CONSUMER DEPOSITS**		
	Electricity and Water	8 094 353	7 472 810
	Sundry	2 821 707	1 267 234
	Balance Previously Reported		1 527 136
	Correction of Error - refer to note		(259 903)
	Total Consumer Deposits	**10 916 060**	**8 740 044**
	Guarantees Held In Lieu of Electricity and Water Deposits	**270 335**	**223 124**
	Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the Municipality can utilise the deposit as payment for the outstanding account.		
	No interest is paid on Consumer Deposits held.		
13	**CURRENT EMPLOYEE BENEFITS**		
	Current portion of Post employment benefits transferred	2 602 476	2 566 248
	Current portion of Long service awards transferred	1 427 046	1 009 677
	Total current Employee Benefits	**4 029 522**	**3 575 925**
14	**PROVISIONS**		
	Performance Bonusss	1 024 249	867 610
	Current portion of Non-Current Provisions	363 253	510 359
	Balance Previously Reported		187 335
	Correction of Error - refer to note 35.7		323 024
	Total Current Provisions	**1 387 502**	**1 377 968**
	Performance bonusses		
	Balance beginning of the period	867 610	1 216 021
	Performance bonusses paid	(848 264)	(970 852)
	Contributions	1 004 904	622 440
	Balance at the end of the period	**1 024 249**	**867 610**

Note	Description	2016 R	2015 R
15	**TRADE AND OTHER PAYABLES**		
	Trade Creditors	59 950 031	92 463 132
	Balance Previously Reported		92 484 867
	Correction of Error - refer to note 35.1		(21 735)
	Payments Received in Advance	8 599 396	3 747 926
	Retentions	3 082 883	5 746 899
	Balance Previously Reported		5 431 124
	Correction of Error - refer to note 35.1		315 775
	Unidentified Deposits	1 350 442	888 450
	Balance Previously Reported		866 712
	Correction of Error - refer to note 35.1		21 737
	Other Creditors	3 449 858	2 098 542
	Leave Accrual	18 492 518	16 315 059
	Total Trade and Other Payables	**94 925 126**	**121 260 007**
	Due to the short term nature of these items, the carrying value approximated the fair value		
	The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA, except when the liability is disputed. No interest is charged for the first 30 days from the date of receipt of invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the Municipality deals with. The Municipality has policies in place to ensure that all payables are paid within the credit timeframe.		
	Leave accrual		
	Balance beginning of the period	16 315 059	18 179 974
	Leave payments	(2 011 819)	(3 163 914)
	Contributions	4 189 278	1 298 999
	Balance at the end of the period	**18 492 518**	**16 315 059**
	Provision for leave values due to employees is calculated in terms of the standard conditions of employment. The provision for leave is calculated on the cost to council, leave payouts are done on basic salary.		

Note	Description	2016 R	2015 R
16	**UNSPENT CONDITIONAL GRANTS AND DONATIONS**		
16.1	***Conditional Grants From Other Spheres of Government***		
	Provincial grants	-	17 076
	EPWP - Nasional	170 916	430 795
	EEDMS	0	631 995
	Other	711 543	62 402
	DWA	7 206	154
	Housing	2 925 281	4 532 924
	Total Unspent Conditional Grants and Donations	**3 814 946**	**5 675 345**
	Refer to note 22 for reconciliation of grants from other spheres of government.		
	Due to the short term nature of these items, the carrying value approximated the fair value		

Note	Description	2016 R	2015 R
17	**VAT (RECEIVABLE) / PAYABLE**		
	VAT Payable / (Receivable)	606 084	(374 745)
	Balance Previously Reported		(308 443)
	Correction of Error - refer to note 35.3		(66 301)
	Total VAT Receivable / Payable	**606 084**	**(374 745)**
	VAT is payable on the cash basis. Only once payment is received from debtors is VAT paid over to SARS and claimed from SARS when actual payment of creditors are done.		

Note	Description	2016 R	2015 R
18	**BANK OVERDRAFT**		
	Bank overdraft - ABSA Bank (Account 22-4000-0051)	5 693 148	6 338 965
	Current Account (Primary Bank Account)		
	ABSA Bank Limited - Upington Branch: Account Number 22-4000-0051		
	Cash Book Balance at Beginning of Year – Overdrawn	6 338 965	(3 993 021)
	Cash Book Balance at End of Year - Overdrawn	(5 693 148)	6 338 965
	Bank Statement Balance at Beginning of Year	1 742 110	5 833 194
	Bank Statement Balance at End of Year	2 068 624	1 742 110
	The Municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.		

Note	Description	2016 R	2015 R
19	**ACCUMULATED SURPLUS**		
	Accumulated surplus / (deficit)	1 515 772 799	1 550 385 278
	Balance Previously Reported		1 559 250 259
	Correction of Error - refer to note 35.8		(3 728 710)
	Total Accumulated Surplus	**1 515 772 799**	**1 550 385 278**
	Reconciliation of actual Surplus/(Deficit) for the year		
	Surplus/(Deficit) as per Statement of Financial Performance	(34 612 479)	26 404 473
	Plus:	91 093 207	90 372 270
	Depreciation	81 966 237	75 530 071
	Impairments	286 010	2 471 199
	Employee Benefits - Contribution to provisions	8 840 959	12 371 000
	Less:	(1 468 959)	(32 966 771)
	Fair Value Adjustment	-	(20 628 205)
	Actuarial Gain	(1 468 959)	(12 338 566)
	Actual Surplus/(Deficit) for the year	**55 011 768**	**83 809 972**
20	**PROPERTY RATES**		
	General Rates		
	Total Assessment Rates	86 248 885	76 867 931
	Less: Revenue Foregone	(8 376 313)	(7 239 893)
	Balance Previously Reported		(7 168 305)
	Correction of Error - refer to note 35.10		(71 588)
		77 872 572	**69 628 038**
	Valuations	**30/06/2016 R 000's**	**30/06/2015 R 000's**
	Residential & Commercial	5 762 462	5 648 445
	Agricultural	4 675 017	4 685 637
	State	555 318	576 504
	Non Rateable	415 729	432 436
	Total Property Valuations	**11 408 526**	**11 343 022**

Valuations on land and buildings are performed every four years. The general valuation came into effect on 1 July 2014. A general rate of R 0.0101892 (2015 - R 0.0096580) were applied to property valuations to determine assessment rates. Rates are levied on an annual or monthly basis on properties depending on the choice made by the property owner. The final date of payment for annually levied rates was 31 October 2015 and monthly levied by the 15th of the following month. Interest is levied on outstanding rates.

Note	Description	2016 R	2015 R
21	**SERVICE CHARGES**		
	Total Sale of Electricity	242 448 044	217 304 973
	Prepaid Electricity Sales	76 197 842	66 083 260
	Other Electricity Sales	2 958 783	3 250 072
	Metered Electricity Sales	166 713 154	151 114 406
	Cost of Free Basic Services - Indigents	(3 421 736)	(3 142 766)
	Balance Previously Reported		-
	Correction of Error - refer to note 35.11		(3 142 766)
	Total Sale of Water	46 977 474	43 210 448
	Sale of Water	49 934 985	47 325 677
	Cost of Free Basic Services - Indigents	(2 957 511)	(4 115 230)
	Balance Previously Reported		-
	Correction of Error - refer to note 35.11		(4 115 230)
	Total Refuse Removal	21 398 093	18 227 013
	Refuse Removal	26 934 728	29 667 243

Note	Description	2016 R	2015 R
	Balance Previously Reported		29 666 841
	Correction of Error - refer to note 35.11		402
	Cost of Free Basic Services - Indigents	(5 536 634)	(11 440 230)
	Balance Previously Reported		-
	Correction of Error - refer to note 35.11		(11 440 230)
	Total Sewerage and Sanitation Charges	27 287 255	22 383 040
	Sewerage and Sanitation Charges	32 709 475	30 487 355
	Cost of Free Basic Services - Indigents	(5 422 220)	(8 104 316)
	Balance Previously Reported		-
	Correction of Error - refer to note 35.11		(8 104 316)
	Total Service Charges	**338 110 867**	**301 125 473**

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

Note			
22	**GOVERNMENT GRANTS AND SUBSIDIES**		
	Government Grants and Subsidies - Operating	69 715 325	67 146 929
	Government Grants and Subsidies - Capital	25 339 053	52 204 709
	Total Government Grants and Subsidies	**95 054 378**	**119 351 637**
	Equitable Share	57 628 790	56 129 000
	SETA Training Subsidy	296 436	339 476
	Health grant	-	319 159
	INEP	7 000 000	3 000 000
	Provincial	4 475 662	2 876 925
	MIG	12 634 709	26 264 120
	MSIG	930 000	934 000
	FMG	1 600 000	1 600 000
	Other Conditional Grants	155 911	354 459
	EPWP Grants	-	-
	EPWP - National Grant	829 084	584 205
	EPWP - Provincial	14 911	697 615
	Department of Tourism	-	2 615 147
	Department of Public Works	-	9 569 062
	Municipal Infrastructure Support Agency (MISA)	-	4 860 095
	DWA	1 692 794	714 000
	IT5 Siviel (Pty) Ltd	-	663 230
	Upington Salt (Pty) Ltd	-	30 000
	EEDSMG	6 000 000	3 368 005
	CoGHTA	1 484 082	1 463 922
	RBIG	312 000	-
	Community Sport for Youth Development	-	2 969 217
	Total Government Grants and Subsidies	**95 054 378**	**119 351 637**

22.1 ***Equitable Share and SETA Subsidies***

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy which is funded from this grant.

SETA subsidies are utilised to finance the operations of the specific department (Human Resources) within the municipality.

Note	Description	2016 R	2015 R
22.2	***Health grant***		
	Balance unspent at beginning of year	-	(2 380 659)
	Current year receipts -	-	883 500
	Other transfers	-	1 816 318
	Conditions met - transferred to revenue	-	(319 159)
	Conditions still to be met - transferred to assets	**-**	**-**
	The grant is transferred from Department of Health to the Municipality. The grant is utilised for operational expenditure for Health Services provided by the Municipality. The function is no longer rendered by the municipality.		
22.3	***INEP Grant***		
	Balance unspent at beginning of year	-	-
	Current year receipts -	7 000 000	3 000 000
	Conditions met - transferred to revenue	(7 000 000)	(3 000 000)
	Conditions still to be met - transferred to liabilities / assets	**-**	**-**
	This grant was used for electrical connections in previously disadvantaged areas.		
22.4	***Provincial Grants***		
	Balance unspent at beginning of year	17 076	1 574 001
	Current year receipts	2 099 000	1 320 000
	Other transfers	2 359 586	-
	Conditions met - transferred to revenue	(4 475 662)	(2 876 925)
	Conditions still to be met - transferred to liabilities	**-**	**17 076**
	The grant was utilised for the upgrading of library infrastructure and equipment, as well as operating expenditure.		
22.5	***MIG***		
	Balance unspent at beginning of year	(1 036 459)	24 395 661
	Current year receipts	11 437 000	22 032 000
	MIG withheld	-	(21 200 000)
	Conditions met - transferred to revenue	(12 634 709)	(26 264 120)
	Conditions still to be met - transferred to liabilities	**(2 234 168)**	**(1 036 459)**
	The Municipal infrastructure grant is utilised for the construction of infrastructure in terms of the conditions of the grant. Due to critical vacant position within the Technical department, all MIG-projects could not be completed.		
22.6	***MSIG***		
	Balance unspent at beginning of year	-	-
	Current year receipts -	930 000	934 000
	Conditions met - transferred to revenue	(930 000)	(934 000)
	Conditions still to be met - transferred to assets	**-**	**-**
	The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems.		
22.7	***Provincial LED Projects***		
	Balance unspent at beginning of year	-	101 593
	Other transfers	-	(101 593)
	Conditions still to be met - transferred to liabilities	**-**	**-**
	Provincial LED Projects grants are used to promote Small, Medium and Micro Enterprises. The grant is spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.		

Note	Description	2016 R	2015 R
22.8	***FMG***		
	Balance unspent at beginning of year	-	-
	Current year receipts	1 600 000	1 600 000
	Conditions met - transferred to revenue	(1 600 000)	(1 600 000)
	Conditions still to be met - transferred to assets	**-**	**-**
	The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
22.9	***Other***		
	Balance unspent at beginning of year	(145 304)	(185 183)
	Current year receipts	805 053	398 339
	Other transfers	207 706	(4 001)
	Conditions met - transferred to revenue	(155 911)	(354 459)
	Conditions still to be met - transferred to assets / liabilities	**711 543**	**(145 304)**
	Various grants received from different spheres (e.g. Lotto)		
22.10	***EPWP***		
	Balance unspent at beginning of year	-	1 443 737
	Other transfers	-	(43 737)
	Withheld	-	(1 400 000)
	Conditions still to be met - transferred to liabilities	**-**	**-**
	The Expanded Public Works Programme Grant was allocated to the Municipality for paving projects in the community and improvement of roads.		
22.11	***EPWP - National***		
	Balance unspent at beginning of year	430 795	-
	Current year receipts	1 000 000	1 015 000
	Withheld	(430 795)	-
	Conditions met - transferred to revenue	(829 084)	(584 205)
	Conditions still to be met - transferred to liabilities	**170 916**	**430 795**
	The Expanded Public Works Programme Grant was allocated to the Municipality for the installation of water meters.		
22.12	***EPWP - Provincial***		
	Balance unspent at beginning of year	(647 169)	-
	Other transfers	-	50 446
	Conditions met - transferred to revenue	(14 911)	(697 615)
	Conditions still to be met - transferred to liabilities	**(662 079)**	**(647 169)**
	The Expanded Public Works Programme Grant was allocated to the Municipality for paving projects in the community and improvement of roads.		
22.13	***DWA***		
	Balance unspent at beginning of year	154	154
	Current year receipts	1 700 000	714 000
	Other transfers	(154)	-
	Conditions met - transferred to revenue	(1 692 794)	(714 000)
	Conditions still to be met - transferred to liabilities	**7 206**	**154**
	The grant was used for capital expenditure in water reticulation and production.		
22.14	**IT5 SIVIEL (PTY) LTD**		
	Balance unspent at beginning of year	-	-
	Current year receipts	-	663 230
	Conditions met - transferred to revenue	-	(663 230)
	Conditions still to be met - transferred to liabilities	**-**	**-**
	A grant was received from IT5 Siviel (Pty) Ltd for the establishment of the long distance taxi rank and SMME Village.		

Note	Description	2016 R	2015 R
22.15	**UPINGTON SALT (PTY) LTD**		
	Balance unspent at beginning of year	-	30 000
	Conditions met - transferred to revenue	-	(30 000)
	Conditions still to be met - transferred to liabilities	**-**	**-**
	A grant was received from Upington Salt (Pty) Ltd for the establishment of the long distance taxi rank and SMME Village.		
22.16	**EEDSMG**		
	Balance unspent at beginning of year	631 995	-
	Current year receipts	6 000 000	4 000 000
	Other transfers	(631 995)	-
	Conditions met - transferred to revenue	(6 000 000)	(3 368 005)
	Conditions still to be met - transferred to liabilities	**0**	**631 995**
	To provide subsidies to municipalities to implement Energy Efficiency and Demand Side Management initiatives within municipal infrastructure, in order to reduce electricity consumption and improve energy efficiency.		
22.17	**CoGHTA**		
	Balance unspent at beginning of year	4 532 924	8 497 749
	Other transfers	(123 561)	(2 500 904)
	Conditions met - transferred to revenue	(1 484 082)	(1 463 922)
	Conditions still to be met - transferred to liabilities	**2 925 281**	**4 532 924**
	To provide funding for the creation of sustainable and integrated human settlements.		
22.18	**Department of Tourism**		
	Balance unspent at beginning of year	-	-
	Current year receipts	-	2 615 147
	Conditions met - transferred to revenue	-	(2 615 147)
		-	-
	A grant was received from Department of Tourism for the development of a skateboard track.		
22.19	**Department of Public Works**		
	Balance unspent at beginning of year	-	-
	Current year receipts	-	9 569 062
	Conditions met - transferred to revenue	-	(9 569 062)
		-	-
	A grant was received from Department of Public Works for the construction of the hospital road at Keimoes Road.		
22.20	**Municipal Infrastructure Support Agency (MISA)**		
	Balance unspent at beginning of year	-	-
	Current year receipts	-	4 860 095
	Conditions met - transferred to revenue	-	(4 860 095)
		-	-
	A grant was received from MISA for eradication of bucket systems and construction of water borne toilets at Rosedale. Only the sewerage networks were transferred to //Khara Hais Municipality.		
22.21	**RBIG**		
	Balance unspent at beginning of year	-	-
	Current year receipts	312 000.00	-
	Conditions met - transferred to revenue	(312 000.00)	-
	Conditions still to be met - transferred to liabilities	**-**	**-**
	A grant was received by Community Sport for Youth Development for the development of sport facilities.		

Note	Description	2016 R	2015 R
22.22	**Community Sport for Youth Development**		
	Balance unspent at beginning of year	-	(2 180 269)
	Current year receipts	-	5 149 486
	Conditions met - transferred to revenue	-	(2 969 217)
	Conditions still to be met - transferred to liabilities	**-**	**-**
	A grant was received by Community Sport for Youth Development for the development of sport facilities.		
23	**OTHER INCOME**		
	Administration Costs on Sale of erven	51 145	-
	Administration Income	537 845	358 421.98
	Commission	450 391	473 393
	Capital Contribution	-	438 596
	Consent Use	2 964 194	2 993 191
	Insurance Claims	184 368	1 359 710
	Occupational Practise Levy	933 786	877 728
	Other	3 744 332	2 262 642
	Plan fees	757 297	598 959
	Refund for capital and operational expenditure	-	2 609 615
	Reversal of Interest Raised on Loans	431 879	-
	Side Line Recoupment	189 172	233 690
	Unauthorised / Deviated Usage	426 409	306 000
	Balance Previously Reported		306 200
	Correction of Error - refer to note 35.14		(200)
	Total Other Income	**10 670 817**	**12 511 946**
	The amounts disclosed above for Other Revenue are in respect of services, other than described in notes 20 to 21, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.		
24	**EMPLOYEE RELATED COSTS**		
	Employee Related Costs - Salaries and Wages	154 582 538	150 155 560
	Employee Related Costs - Contributions for UIF, Pension, Medical Aid Funds, WCA and Group Life Insurance	38 760 275	36 617 418
	Housing Benefits and Allowances	1 715 137	280 590
	Overtime Payments	13 318 561	10 512 382
	Performance Bonus	1 004 904	622 440
		209 381 415	198 188 390
	Less: Employee Costs Capitalised	(1 691 591)	(1 750 880)
	Total Employee Related Costs	**207 689 824**	**196 437 510**
24.1	***Remuneration of the Municipal Manager***		
	Annual Remuneration	1 210 914	1 080 569
	Car Allowance	204 000	204 000
	Contributions to Pension, Group Life & Medical Aid Funds	251 191	225 729
	Performance Bonuses	206 290	180 000
	Total	**1 872 395**	**1 690 297**
24.2	***Remuneration of Chief Financial Officer***		
	Annual Remuneration	793 359	742 910
	Car Allowance	203 702	204 313
	Contributions to Pension, Group Life & Medical Aid Funds	155 956	152 327
	Performance Bonuses	130 842	168 476
		1 283 858	1 268 026

Note	Description	2016 R	2015 R
24.3	***Remuneration of the Director Electro Mechanical Services***		
	Annual Remuneration	907 112	863 635
	Car Allowance	38 480	42 165
	Contributions to Pension, Group Life & Medical Aid Funds	217 655	206 089
	Performance Bonuses	132 079	181 275
	Leave Gratuity	-	60 541
	Total	**1 295 327**	**1 353 705**
24.4	***Remuneration of the Director Corporate Services***		
	Annual Remuneration	781 371	738 580
	Car Allowance	204 001	203 915
	Contributions to Pension, Group Life & Medical Aid Funds	168 853	158 665
	Performance Bonuses	130 842	168 476
	Total	**1 285 068**	**1 269 636**
24.5	***Remuneration of the Director Community Services***		
	Annual Remuneration	1 100 983	966 113
	Car Allowance	180 000	135 566
	Contributions to Pension, Group Life & Medical Aid Funds	87	1 393
	Performance Bonuses	-	181 275
	Total	**1 281 070**	**1 284 347**
	The Director was suspended with pay during the 2014/2015 financial year. Acting allowances was paid to an acting director.		
24.6	***Remuneration of the Director Civil Engineering Services***		
	Annual Remuneration	1 047 779	934 922
	Car Allowance	108 000	122 280
	Contributions to Pension, Group Life & Medical Aid Funds	87	1 201
	Performance Bonuses	124 105	-
	Total	**1 279 972**	**1 058 403**
	This position was created on the 31st of January 2014. The position was filled temporary from 25 March 2014 and permantely from 1 October 2014.		
24.7	***Remuneration of the Director Development and Planning Services***		
	Annual Remuneration	916 856	861 687
	Car Allowance	53 442	53 553
	Contributions to Pension, Group Life & Medical Aid Funds	182 872	110 557
	Performance Bonuses	124 105	-
	Total	**1 277 275**	**1 025 797**
	This position was created on the 31st of January 2014. The position was filled temporary from 25 March 2014 and permantely from 1 October 2014.		
	Performance bonusses paid was for the 2014/2015 financial year. Performance bonusses for the 2015/2016 financial year is provided as set out in note 14		

Note	Description	2016 R	2015 R
25	**REMUNERATION OF COUNCILLORS**		
	Mayor	758 012	718 069
	Speaker	627 278	595 382
	Executive Committee Members	1 340 144	1 198 405
	Councillors	4 843 278	4 601 300
	Councillors' Pension / Medical Aid Contribution	393 050	402 878
	Total Councillors' Remuneration	**7 961 763**	**7 516 034**

Note	Description	2016 R	2015 R
	In-kind Benefits		
	The Mayor and Speaker are full-time councillors. Each is provided with an office and secretarial support at the cost of the Council.		
	The Mayor has use of a Council owned vehicle for official duties.		
	All Councillors were provided with a Council laptop and 3G Modem		
	Refer to Appendix G for more detail.		
26	**CONTRIBUTIONS TO PROVISIONS**		
26.1	Bad debts	21 160 092	7 597 071
	Total Bad Debts	**21 160 092**	**7 597 071**
26.2	Other contributions		
	Employee Benefits - Post Retirement Medical Benefit	8 840 959	9 992 000
	Employee Benefits - Long Service	-	2 379 000
	Total Other Contributions	**8 840 959**	**12 371 000**
27	**DEPRECIATION AND ASSET IMPAIRMENT**		
	Depreciation on PPE	81 732 401	75 300 437
	Balance Previously Reported		72 015 721
	Correction of Error - refer to note 35.15		3 284 716
	Depreciation on Intangible Assets	233 837	229 634
	Impairment loss on PPE	286 010	2 471 199
	Balance Previously Reported		3 121 989
	Correction of Error - refer to note 35.15		(650 790)
	Total Depreciation and Asset Impairment	**82 252 248**	**78 001 270**
28	**REPAIRS AND MAINTENANCE**		
	Electricity Transmission and Reticulation	985 486	354 351
	General Vehicles	7 302 280	5 490 623
	Other Buildings	1 123 326	570 653
	Plant and Equipment	658 992	977 868
	Water Reticulation	711 299	632 694
	Other	1 821 756	1 271 039
	Total Repairs and Maintenance	12 603 139	9 297 228
29	**FINANCE COSTS**		
	Non-current borrowings	13 511 993	14 679 564
	Creditors	478 637	1 066 508
	Balance Previously Reported		1 066 457
	Correction of Error - refer to note 35.16		52
	Landfill Sites	187 335	-
	Quarries	323 024	288 394
	Balance Previously Reported		-
	Correction of Error - refer to note 35.16		288 394
	Financial Institutions	157 115	19 247
	Total Finance Costs	**14 658 104**	**16 053 714**

Note	Description	2016 R	2015 R
30	**BULK PURCHASES**		
	Electricity	164 658 711	146 071 804
	Water	5 757 263	3 761 111
	Total Bulk Purchases	**170 415 974**	**149 832 916**
	Bulk purchases are the cost of commodities not generated by the Municipality, which the Municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from DWAF.		
31	**CONTRACTED SERVICES**		
	Legal Costs	253 551	392 859
	Professional Fees	3 041 015	3 053 034
	Commission Account Payments	2 268 037	1 881 437
	Revenue Enhancement Project	1 023 843	2 225 103
	Other	1 183 182	1 584 980
	Total Contracted Services	**7 769 628**	**9 137 414**
32	**GRANTS AND SUBSIDIES PAID**		
	Donations	785 042	113 497
	Indigent Subsidy	-	138
	Balance Previously Reported		26 933 554
	Correction of Error - refer to note 35.12		(26 933 415)
	Total Grants and Subsidies Paid	**785 042**	**113 636**
	The Mayor makes donations available on own discretion.		
	Indigent Subsidy are in respect of assistance to and providing basic service levels to indigent households.		
33	**GENERAL EXPENDITURE**		
	General Expenditure Includes the Following		
	Advertisements	375 946	513 326
	Audit Fees	4 084 710	4 487 395
	Bank Charges	1 458 931	1 451 154
	Black Plastic Bags	1 283 936	1 143 998
	Chemicals and Fertilizers	2 538 286	2 291 321
	Cleaning Material	402 873	383 560
	Commission Paid	1 030 422	886 685
	Cultural Festival	19 579	56 601
	Entertainment Costs	125 771	252 811
	Fuel & Oil	7 896 494	7 004 643
	Insurance Cost	1 366 839	1 756 035
	Laboratorium Analysis	515 460	563 379
	Licence Fees	1 203 651	737 519
	Losses through fraud and theft	224 839	19 198
	Membership Fees	1 914 208	1 899 495
	Municipal Consumption	1 954	1 146
	Operating Costs PMU	1 080 008	1 064 742
	Other General Cost	5 645 361	2 249 803
	Printing & Stationery	1 307 066	988 305
	Protective Clothing	578 085	474 762
	Rental: Equipment and Machinery	156 054	215 356
	Street Lightening	286 951	904 469
	Subsistence & Travel Costs	1 219 959	1 486 109
	Telephone Cost	4 000 802	3 417 022
	Training	307 903	797 691
	Total General Expenditure	**39 026 087**	**35 046 523**
	The amounts disclosed above for Other General Costs are in respect of costs incurred in the general management of the Municipality and are not direct attributable to a specific service or class of expense.		

Note	Description	2016 R	2015 R
34	**RECONCILIATION BETWEEN NET SURPLUS / (DEFICIT) FOR THE YEAR AND CASH GENERATED / (ABSORBED) BY OPERATIONS**		
34.1	**CASH GENERATED/(ABSORBED) BY OPERATIONS**		
	Surplus / (Deficit) for the year	(34 612 479)	26 404 473
	Adjustments for:		
	Depreciation on Property, Plant and Equipment	81 732 401	75 300 437
	Amortisation of Intangible Assets	233 837	229 634
	Impairment written off	286 010	2 471 199
	Gain on disposal of property, plant and equipment	(3 101 229)	-
	Loss on disposal of property, plant and equipment	-	9 455 798
	Actuarial Gain	(1 468 959)	(12 338 566)
	Actuarial Loss	12 349 485	-
	Fair Value Adjustment	2 210 078	(20 628 205)
	Reversal of Provision	-	(218 907)
	Debt impairment	21 160 092	7 597 071
	Contribution from/to Landfill Sites	187 335	-
	Reversal of provision to Landfill Sites	-	(207 947)
	Contribution from/to Quarries	323 024	288 394
	Contribution from/to Post Retirement Medical Benefits	8 840 959	9 992 000
	Contribution from/to Long-Service Awards	-	2 379 000
	Contribution from/to Post Retirement Medical Benefits - expenditure incurred	(2 504 866)	(2 289 559)
	Contribution from/to Long-Service Awards - expenditure incurred	(218 915)	(213 654)
	Contribution from/to Performance Bonus	1 004 904	622 440
	Contribution from/to Performance Bonus - expenditure incurred	(848 264)	(970 852)
	Operating Surplus/(Deficit) before changes in working capital	85 573 411	97 872 756
	Changes in working capital	(62 320 977)	(22 784 436)
	Increase in Trade and Other Payables	(26 334 881)	21 271 130
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(1 860 400)	(30 411 597)
	Increase/(Decrease) in Taxes	980 828	132 708
	(Increase)/Decrease in Inventory	(5 410 601)	172 662
	(Increase)/Decrease in Trade and other receivables	(28 691 010)	(16 848 163)
	(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	(1 004 913)	2 898 824
	Cash generated/(absorbed) by operations	**23 252 435**	**75 088 320**
34.2	**CASH & CASH EQUIVALENTS**		
	Cash & Cash Equivalents	21 359 728	1 441 674
	Bank Overdraft	(5 693 148)	(6 338 965)
	Total Cash & Cash Equivalents	**15 666 580**	**(4 897 291)**
35	**CORRECTION OF ERROR**		
35.1	***Adjustment to Trade and other payables***		
	Amount Previously Stated		120 944 230
	Correction of retention incorrectly journalised resulting in understating creditors - 2014/2015 - refer to note 15		315 775
	Correction of money incorrectly allocated against Department of Transport instead of Income from Agency Services - 2013/2014 - refer to note 15		(21 735)
	Correction of incorrect allocation against unidentified deposits - 2013/2014 - refer to note 15		21 737
	Restated balance		**121 260 007**
35.2	***Adjustment to Consumer Deposits***		
	Amount Previously Stated		8 999 947
	Correction of consumer deposits incorrectly received against income - 2013/2014 - refer to note 12		1 320
	Derecognition of Eiland Deposits incorretly recognised as Consumer Deposits instead of revenue - 2013/2014 - refer to note 12		(261 223)
	Restated balance		**8 740 044**

Note	Description	2016 R	2015 R
35.3	***VAT***		
	Amount Previously Stated		(308 443)
	Correction of retention incorrectly journalised resulting in understating VAT - 2014/2015 - refer to note 17		(98 217)
	Correction of journal incorrectly journalised against VAT - 2013/2014 - refer to note 17		(2)
	Correction of consumer deposits incorrectly received against income resulting in an overstatement of VAT - 2013/2014 - refer to note 17		(162)
	Derecognition of Eiland Deposits incorretly recognised as Consumer Deposits instead of revenue resulting in under statement of VAT- 2013/2014 - refer to note 17		32 080
	Restated balance		**(374 745)**
35.4	***Property, Plant and Equipment***		
	Amount Previously Stated		1 616 006 846
	Correction of infrastructure not capitalised - 2013/2014 - refer to note 1.1		15 865 876
	Correction of infrastructure incorrectly capitalised - 2013/2014 - refer to note 1.1		(1 357 421)
	Correction of depreciaiton on infrastructure incorrectly capitalised - 2013/2014 - refer to note 1.1		263 608
	Correction of depreciaiton on infrastructure incorrectly capitalised - 2014/2015 - refer to note 1.1		35 086
	Correction of depreciaiton understated - 2013/2014 - refer to note 1.1		(10 739 802)
	Correction of depreciaiton understated - 2014/2015 - refer to note 1.1		(2 669 012)
	Correction of land and buildings previously disclosed as community assets - 2014/2015 - refer to note 1.1		2 169 480
	Correction of community assets previously overstated - 2014/2015 - refer to note 1.1		(2 169 480)
	Restated balance		**1 617 405 182**
35.5	***Investment Property***		
	Amount Previously Stated		217 637 918
	Correction of fair value adjustment previously incorrectly recognised - 2014/2015 - refer to note 1.3		5 603 531
	Restated balance		**223 241 449**
35.6	***Non-Current Provisions***		
	Amount Previously Stated		3 456 131
	Recognition of Quarries not previously recognised as Non-Current Provisions - 2013/2014 - refer to note 11		15 588 881
	Recogntion of interest cost on Quarries not previously recognised as Non-Current Provisions - 2014/2015 - refer to note 11		288 394
	Recogntion of current portion of Non-Current Provisions not previously recognised - 2014/2015 - refer to note 11		(323 024)
	Restated balance		**19 010 382**
35.7	***Current Provisions***		
	Amount Previously Stated		1 054 944
	Recogntion of current portion of Non-Current Provisions not previously recognised - 2014/2015 - refer to note 11.1		323 024
	Restated balance		**1 377 968**
35.8	***Adjustment to Accumulated Surplus***		
	Amount Previously Stated		1 559 250 259
	Correction of consumer deposits incorrectly received against income - 2013/2014 - refer to note 35.2		(1 158)
	Derecognition of Eiland Deposits incorretly recognised as Consumer Deposits instead of revenue - 2013/2014 - refer to note 35.2		229 143
	Derecognition of grants and subsidies paid - 2014/2015 - refer to note 32		26 933 415
	Recognition of Free Basic Services Provided disclosed under Service Charges as per GRAP 9 - 2014/2015 - refer to note 21		(26 802 139)
	Recognition of Free Basic Services Provided disclosed under Property Rates as per GRAP 9 - 2014/2015 - refer to note 20		(71 588)
	Correction of interest paid incorrectly disclosed as grants and subsidies paid - 2014/2015 - refer to note 29		(52)
	Correction of other income incorrectly disclosed as grants and subsidies paid - 2014/2015 - refer to note 23		(200)
	Recogntion of interest cost on Quarries not previously recognised as Non-Current Provisions - 2014/2015 - refer to note 35.6		(288 394)
	Correction of infrastructure incorrectly capitalised - 2013/2014 - refer to note 35.4		(1 357 421)
	Correction of of depreciation on infrastructure incorrectly capitalised - 2013/2014 - refer to note 35.4		263 608
	Correction of of depreciation on infrastructure incorrectly capitalised - 2014/2015 - refer to note 35.4		35 086
	Correction of depreciaiton understated - 2013/2014 - refer to note 1.1		(10 739 802)
	Correction of depreciaiton understated - 2014/2015 - refer to note 1.1		(2 669 012)
	Correction of fair value adjustment previously incorrectly recognised - 2014/2015 - refer to note 35.5		5 603 531
	Restated balance		**1 550 385 278**

Note	Description	2016 R	2015 R
35.9	***Adjustment to Statement of Financial Performance***		
	Amount Previously Stated		23 663 824
	Derecognition of grants and subsidies paid - 2014/2015 - refer to note 35.8		26 933 415
	Recognition of Free Basic Services Provided disclosed under Service Charges as per GRAP 9 - 2014/2015 - refer to note 35.8		(26 802 139)
	Recognition of Free Basic Services Provided disclosed under Property Rates as per GRAP 9 - 2014/2015 - refer to note 35.8		(71 588)
	Correction of interest paid incorrectly disclosed as grants and subsidies paid - 2014/2015 - refer to note 35.8		(52)
	Correction of other income incorrectly disclosed as grants and subsidies paid - 2014/2015 - refer to note 35.8		(200)
	Recogntion of interest cost on Quarries not previously recognised as Non-Current Provisions - 2014/2015 - refer to note 35.8		(288 394)
	Correction of of depreciation on infrastructure incorrectly capitalised - 2014/2015 - refer to note 35.8		35 086
	Correction of depreciaiton understated - 2014/2015 - refer to note 1.1		(2 669 012)
	Correction of fair value adjustment previously incorrectly recognised - 2014/2015 - refer to note 35.8		5 603 531
	Restated balance		**26 404 473**
35.10	***Adjustment to Property Rates***		
	Amount Previously Stated		69 699 626
	Derecognition of grants and subsidies paid - 2014/2015 - refer to note 20		(71 588)
	Restated balance		69 628 038
35.11	***Adjustment to Service Charges***		
	Amount Previously Stated		327 927 612
	Recognition of Free Basic Services Provided disclosed under Service Charges as per GRAP 9 - 2014/2015 - refer to note 21		(26 802 139)
	Restated balance		301 125 473
35.12	***Adjustment to Grants and Subsidies Paid***		
	Amount Previously Stated		27 047 051
	Derecognition of grants and subsidies paid - 2014/2015 - refer to note 32		(26 933 415)
	Restated balance		113 636
35.13	***Adjustment to Fair Value Adjustment***		
	Amount Previously Stated		15 024 674
	Correction of fair value adjustment previously incorrectly recognised - 2014/2015 - refer to note 1.3		5 603 531
	Restated balance		20 628 205
35.14	***Adjustment to Other Income***		
	Amount Previously Stated		12 512 146
	Correction of other income incorrectly disclosed as grants and subsidies paid - 2014/2015 - refer to note 23		(200)
	Restated balance		12 511 946
35.15	***Depreciation and Asset Impairment***		
	Amount Previously Stated		75 367 344
	Correction of Depreciation on PPE - 2014/2015 - refer to note 27		2 633 926
	Restated balance		78 001 270
35.16	***Finance Charges***		
	Amount Previously Stated		15 765 268
	Correction of interest paid incorrectly disclosed as grants and subsidies paid - 2014/2015 - refer to note 29		52
	Recogntion of interest cost on Quarries not previously recognised as Non-Current Provisions - 2014/2015 - refer to note 29		288 394
	Restated balance		16 053 714

Note	Description	2016 R	2015 R

36 RETIREMENT BENEFIT INFORMATION

Several councillors and employees belong to retirement and pension funds approved by the South African Local Government Bargaining Council. These funds are subject to regular actuarial valuation. These funds are run by their own Board of Directors and each fund have their own rules, compliant to legislation, that they must adhere to.

37 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

37.1 ***Contributions to Organised Local Government***

	2016 R	2015 R
Opening Balance	1 888 156	1 955 950
Council Subscriptions	1 912 580	1 900 156
Amount Paid - Current Year	(1 937 656)	(1 967 950)
Balance Unpaid (Included in Creditors)	**1 863 080**	**1 888 156**

37.2 ***Audit Fees***

Opening Balance	29 106	54 644
Current Year Audit Fees	4 527 555	5 079 369
Amount Paid - Current Year	(4 556 661)	(5 104 907)
Balance Unpaid (Included in Creditors)	**0**	**29 106**

37.3 ***VAT***

VAT input receivables and VAT output receivables are shown in note 17. All VAT returns have been submitted by the due date throughout the year.

37.4 ***PAYE***

Opening Balance	-	1 417 506
Current Year Payroll Deductions	22 198 759	19 448 550
Amount Paid - Current Year	(22 198 759)	(20 866 056)
Balance Unpaid (Included in Creditors)	**-**	**-**

37.5 ***Pension and Medical Aid Deductions***

Opening Balance	-	4 353 610
Current Year Payroll Deductions and Council Contributions	54 390 875	51 348 532
Amount Paid - Current Year	(54 390 875)	(55 702 141)
Balance Unpaid (Included in Creditors)	**-**	**-**

37.6 ***UIF Payments***

Opening Balance	-	207 397
Current Year Payroll Deductions and Council Contributions	2 418 169	2 451 922
Amount Paid - Current Year	(2 418 169)	(2 659 319)
Balance Unpaid (Included in Creditors)	**-**	**-**

37.7 **Councillor's Consumer Accounts in arrear older than 90 days**

in access of 90 days	-	-

37.8 Irregular Expenditure

	2016	2015
Reconciliation of irregular expenditure:		
Opening balance	75 083 209	162 016 326
Irregular expenditure current year	17 424 374	8 814 043
Written Off by Council	(78 863 645)	(95 747 161)
Irregular expenditure awaiting further action	13 643 938	75 083 209
Irregular expenditure awaiting condonement from National Treasury	92 507 583	75 083 209

Note	Description	2016 R	2015 R

Incident	Disciplinary steps/criminal proceedings		
Quotations not obtained from service providers	*None*	804 970	16 869 243
Deviations from Supply Chain not yet approved by Council (Direct Payments)	*None*	-	1 717 977
Deviations not properly motivated	*None*	247 722	15 762 750
Supplier in service of the State	*None*	-	19 292 542
Payment made without certified tax clearance	*None*	47 025	47 025
Tender not registered on the CIDB website	*None*	-	19 276 937
Tender advertised for 23 days instead of 30 days	*None*	12 544 220	-
Tender evaluated with the wrong BBBEE point system	*None*	-	2 116 735
		13 643 938	75 083 209

Deviations Approved:	Reasons	Amount
ABSOLUTELY PERFECT WATER	PURCHASE OF FILTER SAND FOR WATER WORKS	42 999
UPINGTON RATKASSENTRUM BK	REPAIR WORK DONE ON KHARA HAIS VEHICLES	343 029
DUCHARME CONSULTING PTY LTD	PAYMENT OF ANNUAL LICENCE FEES AND MOVABLE ASSET	61 216
BARLOWORLD EQUIPMENT SA	REPAIR WORK ON BARLOWWORD VEHICLES	249 180
BLV SWEISWERKE EDMS BPK	REBUILD OF SEWERAGE TANK AND OTHER REPAIRS	86 640
OMEGA FIRE AND SECURITY PTY LTD	INSTALLATION OF PEDESTRIAN GATES	112 718
DPI PLASTICS PTY LTD(INCLEDON)	REPLACEMENT OF SEWERAGE PIPE AT LEMOENDRAAI	70 773
WOODROW ENGINEERING SALES CC	RENEWAL OF PLC UNITS AT AH SEPTEMBER WATER PURIFICATION	65 196
FIT IT	PURCHASE OF 2 TYRES FOR SERVICE DELIVERY VEHICLES	92 900
MARCE FIRE FIGHTING TECHNOLOGY PTY LTD	REPAIRMENTS DONE ON FIRE FIGHTING TRUCK-KB24	62 799
DDP VALUERS PTY LTD	REVISION OF GRAP 16 INVESTMENT PROPERTIES AND RANDOM	373 977
HUBNER TRUCK & BUS CC	REPAIR OF FIRE ENGINE	226 381
HI-Q UPINGTON	PURCHASE OF TYRES FOR SERVICE DELIVERY VEHICLES	93 600
LIEBHERR-AFRICA PTY LTD	PURCHASE OF PARTS	42 419
M&M HYDRAULICS	REPAIRS DONE ON SILINDERS	39 955
LASEC SA PTY LTD	STRIP & QUOTE-REPAIR & CALIBRATION & SERVICE OF	70 742
D HYDRAULIC CENTRE	REPAIR EXTENSION CYLINDER PIPES	30 438
AGRICO PTY LTD	REPAIR OF PUMPs	514 367
ENDRESS & HAUSER PTY LTD	PURCHASE OF THREE PROSONICS	40 563
LECFLO CC	REPAIRS DONE ON PUMPS	420 373
SULZER PUMPS WASTEWATER SA PTY LTD	PURCHASE OF REPAIR KITS FOR THE SERVICES OF RAW WATER	66 459
UPINGTON ALTERNATORS & REWIND	REPAIR PUMP STATION MOTOR: WATER PURIFICATION	30 125
TRANS MANUFACTURING PTY LTD	PURCHASE OF PARTS	35 967
WRP CONSULTING ENGINEERS PTY LTD	PURCHASE OF DATA LOGGERS AND INSTALLATION OF BULK METERS	229 955
INCLEDON CAPE PTY LTD	PURCHASING OF GATE VALVES	167 638
POWERTECH TRANSFORMERS & REINHAUSEN SA PTY LTD	PURCHASE, TRANSPORT AND INSTALLATION OF A TRANSFORMATOR 20MVA	5 631 727
C-PAC PUMPS & VALVES	INSTALLATION OF BULK METERS AND PUMP REPAIRS	240 620
ORANJE MEGANIES PTY LTD	PURCHASE OF GEAR BOX	31 710
JMHL HARDWARE	INSTALLATION OF BULK METERS IN THE MUNICIPAL AREA -	50 139
WALKER MIDAS	PURCHASE & REPAIR OF AXCELS	109 594
AGRICO PTY LTD	INSTALLATION OF BULK METERS IN THE MUNICIPAL AREA -	51 989
GENERAL SERVE ELECTRONICS CC	PURCHASE OF TWO-WAY RADIOS FOR SECURITY DIVISION	32 205
VECTO TRADE 59 PTY LTD	EXPANSION OF WIRELESS NETWORK FOR PREPAID ELECTRICITY	47 532
NAH FITMENT CENTRE	PURCHASE OF TYRES	34 650
ROTORK AFRICA PTY LTD	STRIP & QUOTE - REPAIR AND SERVICE OF INLET VALVE FILTER	53 586
REINHAUSEN SOUTH AFRICA PTY LTD	REPAIR OF TAP CHANGERS OF 20 MVA TRANSFOMER	901 254
SPECTRUM COMMUNICATIONS PTY LTD	PURCHASING OF A BACKUP COMPUTER WITH SOFTWARE FOR	135 059
KOMATSU SA (PTY)LTD	PURCHASING OF PARTS	39 696
MAT TYRE (PTY) LTD	PURCHASING OF TYRES	38 929
WORLEYPARSONS RSA (PTY)LTD	PROFESSIONAL FEES:MELKSTROOM - TECHNICAL REPORTS AND MIG	38 760
GORDONIA MOTORS	PURCHASING OF DIFF	45 000
ALTECH NETSTAR (PTY)LTD	MAINTENANCE FEES FOR TRACKING DEVICES	31 129
CARPE DIEM	BULK WATER PURCHASES	102 875
WATER AFFAIRS	BULK WATER PURCHASES	3 538 128
AQUA AGRI SOLUTIONS	REPAIR OF CHLORINATOR	45 226
DIETRICH VOIGT MIA INC	WATER SAMPLING	115 358
SOUTH AFRICAN BROADCASTING CORPORATION	PAYMENT OF TV LICENCES AT "EILAND"	34 980
RADIO RIVERSIDE	AWARENESS PROGRAM OVER THE RADIO: ILLEGAL OCCUPANCY	15 960
BOEGOEBERG WATERGEBRUIKERSVERENING	BULK WATER PURCHASES	124 219
SOUTH AFRICAN POST OFFICE LTD	PURCHASING OF PREPAID ENVELOPES FOR THE POSTING OF TRAFFIC AND MOTOR REGISTRATION DOCUMENTS	312 218
UPINGTON CONVENIENCE CENTRE (PTY) LTD	PURCHASING OF FUEL	7 866 461
ELSTER KENT METERING (PTY) LTD	PURCHASING OF WATER METERS	1 464 735

Note	Description		2016 R	2015 R
	SOUL MUSIC SENSATION CO-OPERATIVE LIMITED	THE BAND WILL BE PERFORMING AT THE CAROLS BY CANDLE LIGHT		18 000
	SALGA	TASK JOB EVALUATION SYSTEM COSTS FOR 2014/15		30 000
	WOLTERS KLUWER TAX AND ACCOUNTING SA PTY LTD	PAYMENT OF TEAMMATE LISENCE FEE FOR THE PERIOD 01.01.2016 TILL 31.12.2016		18 776
	LEXISNEXIS PTY LTD	STATS RSA ISS 50 PUT 2015 SUB DELIVERY & HANDLING : LAWYERS		16 063
	KAI!GARAB MUNICIPALITY	ANNUAL PROPERTY RATES TAX		27 006
	GUARDIAN LEGAL AND COMPLIANCY SERVICES	SUPPLYING OF LEGAL ADVICE AND HANDLING OF ARBITRATION IN		65 645
				24 879 637

37.9 Fruitless and Wasteful Expenditure

Definition as per Municipal Finance Management Act:
"fruitless and wasteful expenditure" means expenditure that was made in vain and would have been avoided had reasonable care been exercised;

The following fruitless and wasteful expenditure have been incurred by the municipality for the year under review:

Reconciliation of fruitless and wasteful expenditure:	Total 30 June 2016	Restated 30 June 2015
Opening balance	4 219 359	3 966 401
Fruitless and wasteful expenditure current year	687 324	1 283 260
Written Off by Council	(615 390)	(1 030 302)
Fruitless and wasteful expenditure awaiting further action	4 291 294	4 219 359

Incident	Disciplinary steps/criminal proceedings		
Commitment fees - All loans not taken up as per agreement	*None*	76 046	76 046
Traffic Fine paid to Provincial Administration	*None*	1 800	1 800
Interest and fines on late payments to SARS	*None*	210 214	210 214
Interest on ABSA Savings Accounts	*None*	17	17
Interest on late payment of creditors	*None*	162 308	90 374
Interest on late payment of ABSA	*Additional Interest paid to financial institutional will be investigated*	970 667	970 667
Fraud on payment to creditor TCS	*None*	15 299	15 299
Fruitless and Wasteful Expenditure identified in the current year relating to prior periods	*None*	2 755 805	2 755 805
Items paid for on capital projects but the items was stolen	*None*	52 558	52 558
Fraudulent payment to non-employees / "ghost workers"	*None*	4 800	4 800
Interest on late payment of DBSA	*None*	41 780	41 780
		4 291 294	4 219 360

37.10 Unauthorised

Reconciliation of unauthorised expenditure:	Total 30 June 2016	Total 30 June 2015
Opening Balance	26 951 153	153 907 243
Written Off by Council	(26 951 153)	(152 722 377)
Unauthorised expenditure current year	36 052 699	25 766 287
Unauthorised expenditure awaiting authorisation/Condonement	36 052 699	26 951 153

Incident	Disciplinary steps/criminal proceedings		
Over expenditure of votes: non-cash items 2012/2013	*None*	-	169 345
Over expenditure of votes: cash items 2013/2014	*None*	-	1 015 521
Over expenditure of votes: cash items 2014/2015	*None*	-	22 876 099
Over expenditure of votes: non-cash items 2014/2015	*None*	-	2 890 188
Over expenditure of votes: 2015/2016	*None*	36 052 699	-
		36 052 699	26 951 152

Note	Description	2016 R	2015 R

37.11 Non-Compliance with the Municipal Finance Management Act, Municipal Systems Act, Supply Chain Management Act and Minimum Competency Levels

The following non-compliances with the Municipal Finance Management Act occurred during the year under review:

Section 15: Expenditure in incurred in excess of approved budget;
Section 62(1)(d): Unauthorised, irregular and fruitless and wasteful expenditure other losses were not prevented;
Section 65(2)(a) & (b): System for an effective expenditure control not always ensured;
Section 65(2): Creditors not paid within 30 days;
Section 63(1)(a) & 63(2)(a): Safeguarding of assets not fully effective. Risk areas are being addressed;
Section 13 of the SCM regulations: Confirmations were not obtained from current suppliers between R 10 000 and R 30 000 that they were not in Service of the State for the past 12 months ;

Section 18(b) of the SCM regulations: Quotations above R 30 000 were not advertised for at least 7 days on the website;

38 RELATED PARTIES

38.1 Related party relationships exist between the municipality and the following parties:
Mayor, Speaker , Councillors, Municipal Manager and Section 57 Managers.

Related party transactions for municipal services

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated

30 June 2016	Rates	Services charges & Other levies	Total 30 June 2016
Services rendered to related parties:			
Councillors	49 882	171 242	221 124
Municipal Manager & Sect 57 appointments	39 279	90 860	130 139
	89 162	**262 101**	**351 263**

30 June 2015	Rates	Services charges & Other levies	Total 30 June 2015
Services rendered to related parties:			
Councillors	44 085	156 518	200 603
Municipal Manager & Sect 57 appointments	29 940	76 978	106 918
	74 025	**233 496**	**307 521**

The rates, service and other charges are in accordance with approved tariffs that was advertised to the public. No bad debt expenses had been recognised. The amounts outstanding are unsecured and will be settled in cash. Consumer deposits were received from Councillors, the Municipal Manager and section 57 personnel.

Related party transactions

The following business transactions were concluded with businesses where a councillor are a member or a director of the company.

Company's Name	Councillor / Employee	Total 30 June 2016	Total 30 June 2015
Help-U-Agency	S Esau Owner of Help-U-Agencies is the father of EJJ Esau who is the Manager: SCM	35 000	22 500
M E G Omgewingsimpakstudies	M E Geldenhuys, owner of MEG Omgewingsimpakstudies, is the wife of Tender Evaluation Committee member C Geldenhuys. This was declared in the Tender Evaluation Committee meetings.	-	22 000
Sam Sampie Bouers	Mrs Coetzee, Owner of Sam Sampie Bouers, is the wife of Mr Piet Coetzee that is working at the Parks department.	-	-
RSI Entertainment	R Isaacs, Owner of RSI Entertainment, is the brother-in-law of E J J Esau who is the Manager: SCM	-	17 185
H C Adams Enterprises	Mr H Adams, Owner of H C Adams Enterprise, is the husband of Mrs L Adams that is working at the Street and Storm water Department.	-	5 383
Gina's General Trade	Mrs G Juries, Owner Gina's General Trade, is the wife of Mr I Juries that is working at the LED, Tourism & Resort Department	-	67 016

Note	Description		2016 R	2015 R
	J J Traffic Control Services	J J van Wyk, temporary employee, had a company that provided services to the park division	-	17 500
			35 000	**151 584**
	The compensation of key management personnel is set out in note 24			
38.2	**Related Party Loans**			
	Loans to senior management employees are no longer permitted since 1 July 2004			

39	**CAPITAL COMMITMENTS**		
	Commitments in Respect of Capital Expenditure:		
	Approved and Contracted for -	**22 107 095**	**9 282 149**
	Infrastructure	12 871 601	8 929 897
	Community	8 938 641	157 251
	Other	296 853	195 000
	This expenditure will be financed from:		
	Approved and Contracted for -	**22 107 095**	**9 282 149**
	Public Contributions & Donations	457 050	-
	Government Grants	19 278 042	5 512 779
	Own Resources	2 372 003	3 769 370

40	**CONTINGENT LIABILITIES**	**501 390**	**540 427**
	Claim from JHJ Van Niekerk	**-**	**28 030**
	Claim for burns to Mr Van Niekerk's son at Eiland Resort. //Khara Hais Municipality lost the		
	//Khara Hais Municipality / Northern Cape Development Appeal Tribunal	**-**	**300 000**
	Council took the NC Development Appeal Tribunal on review in the NC High Court. No further progress has been made thus far. The outcome of the appeal is still uncertain.		
	//Khara Hais Municipality / Gawie Lukas	**Unknown**	**Unknown**
	Claim for unlawful dismissal during October 2009. Mr Lukas took the matter for review to Labour Court in terms of Labour Relations Act of 1995. The outcome of the matter is still		
	//Khara Hais Municipality / Mr N Kaffir, Mrs Visagie, Mr B Bosman, Mr S May and several illegal occupants	**Unknown**	**Unknown**
	Claim for eviction of several illegal occupants. An opinion was sought for eviction in the Northern Cape High Court and the case will heard on the 22nd of August 2014. The outcome of the matter is still uncertain.		
	//Khara Hais Municipality / Mr A Baardman & 10 Other Respondents	**Unknown**	**Unknown**
	An application for urgent interdict was made to Northern Cape High Court. The outcome of the case is uncertain.		
	//Khara Hais Municipality / SAMRO	**37 064**	**-**
	Claim for unpaid invoices. The outcome of the case is still uncertain.		
	//Khara Hais Municipality / SA Local Authorities Pension Fund	**241 170**	**-**
	Claim against the municipality for not informing the pension fund timeously of the death of an employee. The outcome of the case is still uncertain.		
	//Khara Hais Municipality / F G Waterboer	**10 759**	
	Claim against the municipality for settlement not paid. Payment in process of being done during the 2016/2017 financial year.		

Note	Description	2016 R	2015 R
	//Khara Hais Municipality / Cape Joint Pension Fund	**212 397**	**212 397**
	Council has been summoned by the attorneys of Cape Joint Pension Fund - case number 12173/2012 for non-compliance with the Rule 17(5) of the Pension Fund. The case is being defended by Council's attorneys. The outcome of the case is still uncertain.		
41	**CONTINGENT ASSET**	**1 311 488**	**Unknown**
	//Khara Hais Municipality / Brainstorm Media House	1 311 488	Unknown
	Case has appeared on the role of the Northern Cape High Court. Brain Storm has indicated that the matter will be defended. For the 2013/2014 financial year //Khara Hais Municipality claimed R 1 311 488 plus outstanding interest. At this stage the attorney's cannot provide us with an indication of the amount as the outcome is still uncertain.		

42 COMPARISON WITH THE BUDGET

The municipality's actual financial performance compared with the approved budgeted is set out in the budget comparison sheets.

43 Distribution Losses:

43.1 Electricity

Electricity distribution losses comprises of technical and non-technical losses.

Technical losses, as defined in the NRS 080:2004, are losses on the electrical network due to the resistivity of the conductors and the energisation of transformers. Calculation of the technical losses of the municipal network which consists of urban and rural networks, applying the methodology in the NRS 080:2004, results in an estimated technical loss of 9.25%.

Non-technical losses are losses due to theft, faulty meters and billing errors and is calculated by subtracting technical losses from the total losses.

A total of 208 548 972 (2015: 209 603 053) kWh were purchased and a total of 185 685 178 (2015: 189 290 072) kWh were sold. Therefore a distribution loss of 22 863 794 (2015: 20 312 981) kWh or 10,96.% (2015: 9.69%), which is above the norm of 10% set by National Treasury, was incurred by //Khara Hais Municipality for the 2015-2016 financial year. The value of these losses at cost price amounts to R 18 030 609 (2015: R14 854 758).

43.2 Water

A total of 15 345 025 (2015: 15 706 033) kl of water were produced and a total of 8 715 535 (2015: 9 366 305) kl of water were sold. Unbilled Authorised Consumption is estimated at 464 388 kl and Apparent Losses are estimated to be high at 15% representing about 2 301 754 kl. This represents a Real Water Losses figure of 25% or 3 863 349 (2015: 6 339 728) kl. The value of these losses at cost price amounts to R 8 190 300 (2015: 11 982 086).

Real losses is the actual annual volumes of water lost through all types of leaks, breaks and overflows on mains, service reservoirs and service connections, up to the point of customer metering. The Real Loss figure of 25% is considered to be above average with the potential to be brought down to below 20%.

The major concern is the relatively high levels of Apparent Losses, which is made up of unauthorised consumption and systematic data handling errors, and which is estimated at 15%. The bulk of this originates from illegal connections, bypassing of meters and long reaction times to fix faulty meters.

44 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

44.1 *Foreign Exchange Currency Risk*

The Municipality does not engage in foreign currency transactions.

44.2 *Price Risk*

the Municipality is not exposed to price risk

Note	Description	2016 R	2015 R

44.3 ***Interest Rate Risk***

As the Municipality has significant interest-bearing assets, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The Municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/(deficit) for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The Municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:

1% (2016 - 1%) Increase in interest rates	(1 087 170)	(1 279 720)
0.5% (2016 - 0.5%) Decrease in interest rates	543 585	639 860

44.4 ***Credit Risk***

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed acrossed different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due to the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practise this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 4 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Due to the short term nature of receivables the carrying value disclosed in note 4 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at a rate approved by Council.

	2016	2016	2015	2015
The provision for bad debts could be allocated between the different classes of debtors as follows:	***%***	***R***	***%***	***R***
Non-Exchange Receivables				
Rates	14.66%	(3 200 196)	6.04%	(819 729)
Exchange Receivables				
Service Charges	85.34%	(18 623 561)	93.96%	(12 747 969)
	100.00%	(21 823 757)	100.00%	(13 567 698)
Bad debts written off per debtor class:				
Non-Exchange Receivables				
Fines	46.15%	5 955 437	71.77%	2 406 971
Exchange and Non-Exchange Receivables				
Rates and Service Charges	53.85%	6 948 596	28.23%	946 547
	100.00%	12 904 033	100.00%	3 353 518

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

Receivables from Exchange Transactions and Receivables from Non-Exchange Transactions are individually evaluated annually at year end for impairment.

Note	Description	2016 R	2015 R

	Financial assets exposed to credit risk at year end are as follows:	2016 R	2015 R
	Long Term Receivables	9 098	18 399
	Receivables from Exchange Transactions	55 904 406	52 306 729
	Receivables from Non-Exchange Transactions	10 347 989	7 474 713
	Cash and Cash Equivalents	21 359 728	1 441 674
		87 621 221	61 241 514

44.5 ***Liquidity Risk***

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The Municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 2 and 5 years	Between 6 and 10 years	Over 10 years
2016	109 999 748	35 159 366	50 103 252	27 855 776
Long Term Liabilities	11 259 676	35 159 366	50 103 252	27 855 776
Payables from Exchange Transactions	94 925 126	-	-	-
Unspent Conditional Grants and Receipts	3 814 946	-	-	-
2015	143 478 276	42 800 596	35 209 510	28 200 388
Long Term Liabilities	16 858 701	42 800 596	35 209 510	28 200 388
Payables from Exchange Transactions	120 944 230	-	-	-
Unspent Conditional Grants and Receipts	5 675 345	-	-	-

		2016 R	2015 R
45	**FINANCIAL INSTRUMENTS**		
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:		
45.1	***Financial Assets***		
	Financial instruments at amortised cost		
	Long Term Receivables	9 098	18 399
	Receivables from Exchange Transactions	55 904 406	52 306 729
	Receivables from Non-Exchange Transactions	10 347 989	7 474 713
	Current Portion of Long Term Receivables	8 037	4 910
	Cash and Cash Equivalents	21 359 728	1 441 674
		87 629 259	61 246 424
45.2	***Financial Liability***		
	Financial instruments at amortised cost		
	Long Term Liabilities	113 063 944	106 009 059
	Payables from Exchange Transactions	94 925 126	121 260 007
	Current Portion of Long Term Liabilities	11 314 125	17 060 136
	Cash and Cash Equivalents	5 693 148	6 338 965
		224 996 344	250 668 167

Note	Description	2016 R	2015 R

46 EVENTS AFTER REPORTING DATE

46.1 On the 7th of July 2016 Provincial Gazette No. 1911 was issued for the amalgamation of //Khara Hais Municipality and Mier Municipality. A public participation process is still ongoing and the outcome and / or the amalgamation date is still uncertain.

46.2 DBSA Instalments of June 2015 to the amount of R 5 728 018 was not paid during the year under review. All DBSA loans were restructured as per agreement on 19 July 2016 with monthly payments commencing from the end of July 2016. All interest payable on these loans were capitalised as part of the restructuring agreement.

47 Going Concern

	2016	2015
Deficit for the year	(34 612 479)	26 404 473

During the period 2008/2009 to 2009/2010 the Municipality utilised the transitional provisions of Directive 4 issued by the Accounting Standards Board; which allowed the Municipality three years to recognise assets under the previous basis of accounting utilised by Municipalities. However, for the 2010/2011 financial year and retrospectively for two years the Municipality had to apply the new required Accounting Standards to recognise their assets. The result was that these assets were recognised at its current depreciated replacement cost; which resulted in a significant increase in the accumulated surplus. Due to the significant increase in the value of assets; depreciation subsequently increased as well. Thus, although the increase in depreciation has resulted in a deficit, this deficit is set-off against the large accumulated surplus that has been created. The off-setting depreciation must go – according to the approved GRAP Accounting Standards – through the Statement of Financial Performance and may not be off-set directly against the Statement of Changes in Net Assets. The deficit is thus funded by the accumulated surplus in the Statement of Changes in Net Assets; and, thus this will influence the setting of tariffs in the future.

The Municipality compiled and approved a Municipal Turn Around Strategy. The Strategy was approved during November 2013. The Strategy aims to address the cash flow problems as well as other internal controls problems.

Current Assets less current liabilities	(29 171 592)	(94 006 340)

It is noted with real concern that the current assets is R 29 171 592 (2015: 94 006 340) less than the current liabilities. Management are looking at ways to that will improve our current ratio of 0.78:1 (2015: 0.43:1) to a more favourable current ratio of 1:1.

As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Due to the financial position of the municipality, management decided that no new loans will be raised. Counter funding on projects will funded through own generated funds. Capital projects where counter funding is required will be limited to service delivery projects. As current loans are being paid up our liability will decrease and our financial position will stabilise.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

//KHARA HAIS MUNICIPALITY

APPENDIX A: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016

External Loans	Loan Number	Redeemable	Loan term	Interest Rate (Fixed)	Balance at 01/07/2015	Received During the Period	Other Costs	Interest Levied	Redeemed During the Period	Payment not processed in time	Balance at 30/06/2016
Annuity Loans											
Development Bank of SA	6100-4137	31/03/2015	20 years	12.00%	1 615	-	-	-	(1 615)	-	-
Development Bank of SA	6100-3172	31/03/2019	20 years	16.50%	5 890 981	-	-	1 081 637	-	953 866	7 926 484
Development Bank of SA	6100-0766	31/12/2015	7 years	12.98%	224 494	-	-	69 799	-	239 127	533 420
Development Bank of SA	6100-0764	31/12/2028	20 years	12.59%	32 435 881	-	-	4 633 127	-	2 530 678	39 599 686
Development Bank of SA	6100-0765	31/12/2023	15 years	6.75%	25 665 398	-	-	1 966 315	-	2 004 346	29 636 059
ABSA Bank	40-6309-6496	31/08/2015	10 years	10.04%	126 146	-	(72 697)	4 019	(119 733)	-	(62 265)
ABSA Bank	40-6353-0507	02/11/2015	10 years	10.07%	169 634	-	-	6 296	(175 930)	-	-
ABSA Bank	40-6396-1623	31/12/2015	10 years	10.12%	397 086	-	-	21 925	(419 010)	-	-
ABSA Bank	40-6447-8475	29/02/2016	10 years	10.17%	598 471	-	-	33 053	(631 525)	-	-
ABSA Bank	30-3213-8054	30-09-2015	5 years	9.60%	(6 770)	6 770	-	-	-	-	-
ABSA Bank	30-3213-9212	30-09-2015	5 years	9.06%	2 696 300	412 667	(768 497)	10 694	(2 351 164)	-	-
Standard Bank	310-634-334	20-01-2017	5 years	10.00%	10 701 803	-	97 166	795 606	(7 404 024)	-	4 190 551
Standard Bank	310-840-708	31-12-2027	15 years	11.35%	44 168 157	-	78 688	4 889 523	(6 582 234)	-	42 554 134
TOTAL EXTERNAL LOANS					123 069 195	419 437	(665 339)	13 511 993	(17 685 234)	5 728 018	124 378 070

//KHARA HAIS MUNICIPALITY

APPENDIX B: ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2016

	Cost / Revaluation						Accumulated Depreciation						
	Restated Opening Balance	Additons	Under Construction	Disposals	Tranferred	Closing Balance	Restated Opening Balance	Additons	Disposals	Impairment	Tranferred	Closing Balance	Carrying Value
Land and Buildings													
Land and Buildings	191 556 227	1 051 277	-	(39 277)	1 392 519	193 960 747	(39 944 696)	(5 508 633)	20 861	-	-	(45 432 467)	148 528 280
Balance Previously Reported	189 702 090	1 051 277	-	(39 277)	-	190 714 091	(39 984 030)	(5 508 633)	20 861	-	-	(45 471 802)	145 242 289
Correction of Error - refer to note 35.4	(186 100)	-	-	-	-	(186 100)	-	-	-	-	-	-	(186 100)
Transferred	2 040 237	-	-	-	1 392 519	3 432 757	39 335	-	-	-	-	39 335	3 472 091
	191 556 227	**1 051 277**	**-**	**(39 277)**		**193 960 747**	**(39 944 696)**	(5 508 633)	**20 861**	**-**	**-**	**(45 432 467)**	**148 528 280**
Infrastructure													
Roads and Storm Water	644 608 585	214 654	1 631 687	(156 045)	(1 552 152)	644 746 728	(152 324 202)	(23 527 927)	59 997	-	158 353	(175 633 779)	469 112 950
Balance Previously Reported	644 340 710	214 654	1 631 687	(156 045)	(319 887)	645 711 119	(149 608 504)	(23 527 927)	59 997	-	158 353	(172 918 081)	472 793 037
Correction of Error - refer to note 35.4	267 875	-	-	-	-	267 875	(7 455)	-	-	-	-	(7 455)	260 419
Transferred	-	-	-	-	(1 232 265)	(1 232 265)	(2 708 242)	-	-	-	-	(2 708 242)	(3 940 507)
Electricity	395 782 620	12 183 548	12 879 479	(2 033 404)	(11 761 074)	407 051 169	(100 469 173)	(15 014 970)	502 333	(272 450)	2 818 632	(112 435 629)	294 615 541
Balance Previously Reported	396 085 902	12 183 548	12 879 479	(2 033 404)	(11 761 074)	407 354 451	(102 146 370)	(15 014 970)	502 333	(272 450)	2 818 632	(114 112 825)	293 241 626
Correction of Error - refer to note 35.4	(303 282)	-	-	-		(303 282)	51 364	-	-	-	-	51 364	(251 917)
Transferred	-	-	-	-		-	1 625 832	-	-	-	-	1 625 832	1 625 832
Sewerage Mains & Purification	163 375 306	94 091	294 642	(39 544)	(160 254)	163 564 242	(44 862 855)	(5 549 501)	14 605	-	-	(50 397 751)	113 166 491
Balance Previously Reported	163 380 150	94 091	294 642	(39 544)	-	163 729 339	(43 578 104)	(5 549 501)	14 605	-	-	(49 113 000)	114 616 339
Correction of Error - refer to note 35.4	(4 843)	-	-	-	-	(4 843)	3 733	-	-	-	-	3 733	(1 110)
Transferred	-	-	-	-	(160 254)	(160 254)	(1 288 484)	-	-	-	-	(1 288 484)	(1 448 738)
Water Mains & Purification	516 530 620	1 445 682	4 334 045	(982 229)	-	521 328 117	(109 685 981)	(15 273 277)	589 593	-	-	(124 369 665)	396 958 452
Balance Previously Reported	517 384 695	1 445 682	4 334 045	(982 229)	-	522 182 193	(112 137 622)	(15 273 277)	589 593	-	-	(126 821 306)	395 360 887
Correction of Error - refer to note 35.4	(854 075)	-	-	-	-	(854 075)	241 188	-	-	-	-	241 188	(612 887)
Transferred	-	-	-	-	-	-	2 210 453	-	-	-	-	2 210 453	2 210 453
Solid waste	6 727 588	-	-	-	-	6 727 588	(3 621 537)	(1 127 530)	-	-	-	(4 749 067)	1 978 521
Balance Previously Reported	6 727 588	-	-	-	-	6 727 588	(3 782 337)	(1 127 530)	-	-	-	(4 909 867)	1 817 721
Correction of Error - refer to note 35.4	-	-	-	-	-	-	160 800	-	-	-	-	160 800	160 800
Railway infrastructure	12 358 701	-	-	-	-	12 358 701	(8 651 091)	(1 235 870)	-	-	-	(9 886 961)	2 471 740
Balance Previously Reported	12 358 701	-	-	-	-	12 358 701	(8 651 091)	(1 235 870)	-	-	-	(9 886 961)	2 471 740
Correction of Error - refer to note 35.4	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Infrastructure	16 746 014	1 685 981	-	-	-	18 431 994	(17 122)	(10 328)	-	-	-	(27 450)	18 404 544
Balance Previously Reported	1 157 133	1 685 981	-	-	-	2 843 113	(17 122)	(10 328)	-	-	-	(27 450)	2 815 663
Correction of Error - refer to note 35.4	15 588 881	-	-	-	-	15 588 881	-	-	-	-	-	-	15 588 881
	1 756 129 433	**15 623 956**	**19 139 853**	**(3 211 222)**	**(13 473 480)**	**1 774 208 540**	**(419 631 961)**	**(61 739 403)**	**1 166 528**	**(272 450)**	**2 976 986**	**(477 500 301)**	**1 296 708 239**

Community assets													
Community Assets	91 453 948	-	2 674 100	(585 011)	-	93 543 037	(23 144 867)	(3 795 332)	153 324	(13 560)	-	(26 800 436)	66 742 601
Balance Previously Reported	93 494 186	-	2 674 100	(585 011)	-	95 583 274	(23 105 532)	(3 795 332)	153 324	(13 560)	-	(26 761 101)	68 822 173
Correction of Error - refer to note 35.4	-	-	-	-	-	-	-	-	-	-	-	-	-
Transferred	(2 040 237)	-	-	-	-	(2 040 237)	(39 335)	-	-	-	-	(39 335)	(2 079 572)
	91 453 948	**-**	**2 674 100**	**(585 011)**	**-**	**93 543 037**	**(23 144 867)**	**(3 795 332)**	**153 324**	**(13 560)**	**-**	**(26 800 436)**	**66 742 601**
Other Assets													
Vehicles and Movable Assets	82 658 177	1 616 936	-	(2 106 798)	-	82 168 315	(12 638 540)	(10 689 032)	1 537 118	-	-	(21 790 454)	60 377 860
Balance Previously Reported	82 658 177	1 616 936	-	(2 106 798)	-	82 168 315	(12 638 540)	(10 689 032)	1 537 118	-	-	(21 790 454)	60 377 860
Correction of Error - refer to note 35.4	-	-	-	-	-	-	-	-	-	-	-	-	-
Transferred	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Fixed Assets	4 392 852	-	-	-		4 392 852	(26 083)	-	-	-	-	(26 083)	4 366 769
	87 051 029	**1 616 936**	**-**	**(2 106 798)**	**-**	**86 561 167**	**(12 664 623)**	**(10 689 032)**	**1 537 118**	**-**	**-**	**(21 816 537)**	**64 744 630**
GRAND TOTAL	**2 126 190 637**	**18 292 170**	**21 813 953**	**(5 942 308)**	**(13 473 480)**	**2 148 273 491**	**(495 386 146)**	**(81 732 400)**	**2 877 830**	**(286 010)**	**2 976 986**	**(571 549 741)**	**1 576 723 750**

//KHARA HAIS MUNICIPALITY

APPENDIX C: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R		2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R
12 635 470	28 935 468	(16 299 998)	Executive & Council	1 624 207	39 728 296	(38 104 088)
210 184 811	41 179 311	169 005 500	Budget & Treasury	172 919 246	57 036 634	115 882 612
3 511 897	53 784 811	(50 272 915)	Corporate Services	5 699 182	49 613 798	(43 914 616)
6 374 264	13 314 791	(6 940 528)	Planning & Development	7 253 365	12 598 756	(5 345 391)
319 159	4 012 373	(3 693 214)	Health	-	3 419 741	(3 419 741)
2 841 730	7 180 187	(4 338 458)	Community & Social Services	4 801 799	8 600 547	(3 798 748)
1 250 126	4 080 666	(2 830 540)	Housing	1 092 215	3 297 338	(2 205 124)
9 178 776	22 161 782	(12 983 006)	Public Safety	13 095 152	23 295 048	(10 199 895)
5 844 514	29 137 484	(23 292 970)	Sport & Recreation	6 413 907	29 401 521	(22 987 614)
18 437 109	23 989 962	(5 552 853)	Waste Management	21 430 967	23 915 933	(2 484 965)
22 821 636	29 942 126	(7 120 490)	Waste Water Management	27 287 907	33 354 873	(6 066 966)
288 170	36 515 970	(36 227 800)	Road Transport	247 971	38 941 259	(38 693 288)
43 224 998	47 977 661	(4 752 663)	Water	47 021 691	54 777 712	(7 756 021)
220 436 786	187 260 308	33 176 478	Electricity	244 221 991	208 317 673	35 904 318
840	1 472 911	(1 472 070)	Other	342	1 423 294	(1 422 952)
557 350 286	**530 945 813**	**26 404 473**	**TOTAL**	**553 109 943**	**587 722 422**	**(34 612 479)**

//KHARA HAIS MUNICIPALITY

APPENDIX D: ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2016

Description	2015/2016 Actual R	2015/2016 Budget R	2015/2016 Variance R	2015/2016 Variance %	Explanation of Significant Variances (Above or below 10%)
REVENUE					
Property rates	77 872 572	78 668 479	(795 907)	-1%	
Service charges	338 110 867	342 304 490	(4 193 623)	-1%	
Rental of facilities and equipment	9 143 730	9 158 215	(14 485)	0%	
Interest earned - external investments	1 089 609	1 512 129	(422 520)	-28%	
Interest earned - outstanding receivables	3 086 768	3 148 013	(61 245)	-2%	
Fines	6 799 955	3 526 200	3 273 755	93%	Changes in iGRAP1
Actuarial Gain	1 468 959	-	1 468 959	100%	Actuarial gain not budgeted for
Reversal of Provision	-	-	-	100%	Reversal of provision not budgeted for
Fair Value Adjustment on Investment Property	-	1 500 000	(1 500 000)	-100%	Less budgeted than actual amount
Licences and permits	1 565 967	1 655 790	(89 823)	-5%	
Income for agency service	4 110 564	4 060 000	50 564	1%	
Income for housing agency service	1 030 000	1 250 000	(220 000)	-18%	Funds received less than budgeted for due
Employee housing	4 529	47 511	(42 982)	-90%	Municipal houses are being sold, therefore less income will be received
Government grants and subsidies - Operating	69 715 325	66 917 172	2 798 153	4%	
Government grants and subsidies - Capital	25 339 053	27 109 214	(1 770 161)	-7%	Capital projects not completed
Other income	10 670 817	10 970 698	(299 881)	-3%	Other income actual more than budgeted for
	550 008 714	551 827 911	(1 819 197)	0%	
EXPENDITURE					
Employee related costs	207 689 824	206 888 696	(801 128)	0%	
Remuneration of councillors	7 961 763	7 961 000	(763)	0%	
Contributions to provisions - Bad debts	21 160 092	8 000 000	(13 160 092)	-165%	Changes in iGRAP 1
Contributions to provisions - Other	8 840 959	10 963 194	2 122 235	19%	Increase in provision of LSA & PEMA
Actuarial Loss	12 349 485	1 000 000	(11 349 485)	-1135%	No Actuarial losses
Depreciation and amortisation expense	81 966 237	108 519 181	26 552 944	24%	Changes in estimated RUL resulted in less depreciation
Impairment Loss	286 010	-	(286 010)	100%	Budgeted under depreciation
Repairs and maintenance	12 603 139	16 700 624	4 097 485	25%	Cost containment measures resulted in less expenditure
Finance costs	14 658 104	15 404 489	746 385	5%	
Bulk purchases	170 415 974	171 163 816	747 842	0%	
Contracted services	7 769 628	8 760 235	990 607	11%	Cost containment measures resulted in less expenditure
Grants and subsidies paid	785 042	303 000	(482 042)	-159%	Increase in indigent subsidy
Fair Value Adjustment	2 210 078	-	(2 210 078)	100%	Actuarial gain not budgeted for
General expenses	39 026 087	39 176 773	150 686	0%	Cost containment measures resulted in less expenditure
Total Expenditure	587 722 422	594 841 008	7 118 586	1%	
Gain / (loss) on sale of assets	3 101 229	60 931 980	(57 830 751)	-95%	Losses on assets written off and disposal of erven
NET SURPLUS/(DEFICIT)	(34 612 479)	17 918 883	(52 531 362)	-293%	

//KHARA HAIS MUNICIPALITY

APPENDIX E: ACTUAL VERSUS BUDGET (ACQUISITION OF PPE, IP AND INTANGIBLE ASSETS) FOR THE YEAR ENDED 30 JUNE 2016

	2015/2016 Actual R	2015/2016 Adjustment Budget R	2015/2016 Variance R	2015/2016 Variance %	Explanation of Significant Variances
Executive & Council	577 291	6 091	571 200	9377.78%	Purchase of Mooirivier Farm
Budget & Treasury	1 712 801	1 992 418	(279 617)	-14.03%	Savings on projects
Corporate Services	1 686 992	3 414 579	(1 727 587)	-50.59%	Capital projects not completed
Planning & Development	4 403 921	6 393 112	(1 989 191)	-31.11%	Capital projects not completed
Community & Social Services	8 718	17 076	(8 358)	-48.95%	Capital projects not completed
Public Safety	33 833	103 661	(69 828)	-67.36%	Capital projects not completed
Sport & Recreation	106 723	720 851	(614 128)	-85.19%	Capital projects not completed
Waste Management	-	1 395	(1 395)	-100.00%	Capital projects not completed
Waste Water Management	388 733	1 055 757	(667 024)	-63.18%	Capital projects not completed
Road Transport	238 013	252 284	(14 271)	-5.66%	Capital projects not completed
Water	5 916 032	13 829 309	(7 913 277)	-57.22%	Capital projects not completed
Electricity	25 063 027	23 605 904	1 457 123	6.17%	Capital projects not completed
GRAND TOTALS	40 136 085	51 392 437	(11 256 352)	-21.9%	

APPENDIX F - Unaudited
//KHARA HAIS MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2015	Correction of error	Restated balance 1 JULY 2015	Contributions during the year	Transferred	Withheld	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2016	Unspent 30 JUNE 2016 (Creditor)	Unpaid 30 JUNE 2016 (Debtor)
GOVERNMENT GRANTS AND RECEIPTS	R			R	R	R	R	R	R	R	R
FMG	-	-	-	1 600 000	-	-	(1 600 000)	-	-	-	-
MSIG	-	-	-	930 000	-	-	(930 000)	-	-	-	-
Equitable Share	-	-	-	57 628 790	-	-	(57 628 790)	-	-	-	-
SETA Training Subsidy	-	-	-	296 436	-	-	(296 436)	-	-	-	-
Libraries	17 076	-	17 076	2 099 000	2 359 586	-	(4 473 269)	(2 393)	-	-	-
MIG	(1 036 459)	-	(1 036 459)	11 437 000	-	-	(2 497 737)	(10 136 972)	(2 234 168)	-	(2 234 168)
Lotto	18 339	-	18 339	654 000	-	-	-	-	672 339	672 339	-
Royal Agricultural Society	(207 706)	-	(207 706)	-	207 706	-	-	-	-	-	-
EPWP	-	-	-	-	-	-	-	-	-	-	-
EPWP - Nasional	430 795	-	430 795	1 000 000	-	(430 795)	(101 817)	(727 266)	170 916	170 916	-
EPWP - Provincial	(647 169)	-	(647 169)	-	-	-	(173)	(14 738)	(662 079)		(662 079)
INEP	-	-	-	7 000 000	-	-	(859 649)	(6 140 351)	-	-	-
EEDSMG	631 995	-	631 995	6 000 000	-	(631 995)	(736 842)	(5 263 158)	-	-	-
DWA	154	-	154	1 700 000	(154)	-	(102 039)	(1 590 755)	7 206	7 206	-
RBIG	-		-	312 000	-	-	(38 316)	(273 684)	-	-	-
COGHSTA	4 532 924	-	4 532 924	-	(123 561)	-	(294 345)	(1 189 737)	2 925 281	2 925 281	-
Upington Summer Festival & Carols by Candle Light	44 063	-	44 063	151 053	-	-	(155 911)	-	39 204	39 204	-
Total	**3 784 012**	**-**	**3 784 012**	**90 808 279**	**2 443 577**	**(1 062 790)**	**(69 715 325)**	**(25 339 053)**	**918 699**	**3 814 946**	**(2 896 247)**

APPENDIX G
//KHARA HAIS MUNICIPALITY
STATEMENT OF REMUNERATION OF COUNCILLORS & SENIOR MANAGEMENT

30 Junie 2016

Incumbent	Fees for Rates	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Leave Gratuity	Total Remuneration
	R		R	R	R	R	R	R
Mayor								
Limakatso A Koloi	1 172	3 230	644 997	-	-	113 015	-	758 012
Speaker								
Thomas Basson	153	5 723	555 812	-	71 466	-	-	627 278
Executive Committee								
Rlds E Allies	7 592	18 567	270 461	-	64 575	-	-	335 036
Rlds M Segede	-	-	314 168	-	20 868	-	-	335 036
Rlds J L Snyman	10 342	36 078	250 181	-	47 328	37 527	-	335 036
Rlds K De Wee	-	-	273 190	-	20 868	40 978	-	335 036
Other Councillors								
Rlds M Plaatjies	-	-	198 679	-	20 868	29 802	-	249 349
Rlds J Thomas	-	-	198 679	-	20 868	29 802	-	249 349
Rlds J Assegaai	-	-	228 481	-	20 868	-	-	249 349
Rlds S P May	459	3 980	198 679	-	20 868	29 802	-	249 349
Rlds I S S Selborne	2 904	7 238	220 081	-	29 268	-	-	249 349
Rlds E Munnik	1 070	5 881	198 679	-	20 868	29 802	-	249 349
Rlds M Kock	764	4 939	198 679	-	20 868	29 802	-	249 349
Rlds J Isaacs	5 247	5 355	198 679	-	20 868	29 802	-	249 349
Rlds M M Abels	3 617	7 699	198 679	-	20 868	29 802	-	249 349
Rlds M Andreas	-	-	228 481	-	20 868	-	-	249 349
Rlds M G Brand	-	2 644	160 673	-	64 575	24 101	-	249 349
Rlds R George	-	-	198 679	-	20 868	29 802	-	249 349
Rlds E Lebitsa	-	2 851	184 774	-	43 707	20 868	-	249 349
Rlds E Mnyaka	-	-	228 481	-	20 868	-	-	249 349
Rlds J Moya	-	-	228 481	-	20 868	-	-	249 349
Rlds D Ntlanganiso	-	-	160 673	-	64 575	24 101	-	249 349
Rlds P T Van der Steen	5 811	30 895	228 481	-	20 868	-	-	249 349
Rlds A Van Rooyen	10 444	33 213	180 481	-	68 868	-	-	249 349
Rlds A van Wyk	-	-	198 679	-	20 868	29 802	-	249 349
Rlds M Bosman	51	-	198 679	-	20 868	29 802	-	249 349
Rlds E Olyn	255	2 950	181 651	-	20 868	46 830	-	249 349
Total for Councillors	**49 882**	**171 242**	**6 526 337**	**-**	**829 986**	**605 440**	**-**	**7 961 763**

30 Junie 2015

Incumbent	Fees for Rates	Fees for Services	Basic Salaries	Bonuses	Allowances	Contributions to Funds	Leave Gratuity	Total Remuneration
	R		R	R	R	R	R	R
Municipal Manager								
DE Ngxanga	15 182	29 871	1 210 914	206 290	204 000	251 191	-	1 872 395
Chief Financial Officer								
GM Schreiner	662	7 775	793 359	130 842	203 702	155 956	-	1 283 859
								-
Director: Community Services								-
GM Bovu	4 585	11 187	-	-	-	-	-	-
								-
Director: Corporate Services								
CM Newman	8 916	7 760	781 371	130 842	204 001	168 853		1 285 067
								-
Director: Developmental Services								-
PJ Viviers	-	-	1 100 983	-	180 000	87	-	1 281 070
								-
Director: Electro-mechanical Services								-
H Auret	9 934	34 267	907 112	132 079	38 480	217 655	-	1 295 326
								-
Director: Civil engineering Services								-
JE Kock	-	-	1 047 779	124 105	108 000	87	-	1 279 971
Total for Senior Managers	39 279	90 860	5 841 518	724 158	938 183	793 829	-	8 297 688

//KHARA HAIS MUNICIPALITY
APPENDIX H
RATIO ANALYSIS

RATIO	NORM/RANGE	INPUT DESCRIPTION	2015/2016 DATA INPUTS AND RESULTS	MUNICIPAL COMMENTS (#)
			" R 000 "	
1. FINANCIAL POSITION				
A. Asset Management/Utilisation				
1 Capital Expenditure to Total Expenditure	10% - 20%		4%	Only capital projects funded by Grant allocations are being conducted
		Total Operating Expenditure	587 722 422	
		Taxation Expense	-	
		Total Capital Expenditure	25 339 053	
2 Impairment of Property, Plant and Equipment, Investment Property and Intangible assets (Carrying Value)	0%		0%	The implementation of a stricter Asset Management Plan resulted in assets being impaired.
		PPE, Investment Property and Intangible Impairment	286 010	
		PPE at carrying value	1 563 324 440	
		IP at carrying value	202 344 597	
		Intangible Assets at carrying value	3 168 448	
3 Repairs and Maintenance as a % of Property, Plant and Equipment and Investment Property (Carrying Value)	8%		1%	This is due to the implementation of GRAP 17 with the higher DRC values
		Total Repairs and Maintenance Expenditure	12 603 139	
		PPE at carrying value	1 563 324 440	
		Investment Property at Carrying value	202 344 597	
B. Debtors Management				
1 Collection Rate	95%		93%	
		Gross Debtors closing balance	88 076 152	
		Gross Debtors opening balance	73 349 139	
		Bad debts written Off	12 904 033	
		Billed Revenue	415 983 439	

2	Bad Debts Written-off as % of Provision for Bad Debt	100%		59%	
			Consumer Debtors Bad debts written off	12 904 033	
			Consumer Debtors Current bad debt Provision	21 823 757	

3	Net Debtors Days	30 days		58 days	Credit Control and Debt Collection Policy is not fully implemented
			Gross debtors	88 076 152	
			Bad debts Provision	21 823 757	
			Billed Revenue	415 983 439	

C. Liquidity Management

1	Cash / Cost Coverage Ratio (Excl. Unspent Conditional Grants)	1 - 3 Months		0 Month	Non-collection of outstanding debtors resulted in cash flow problems
			Cash and cash equivalents	21 359 728	
			Unspent Conditional Grants	3 814 946	
			Overdraft	5 693 148	
			Short Term Investments	-	
			Total Annual Operational Expenditure	587 722 422	

2	Current Ratio	1.5 - 2:1		0.78	Non-collection of outstanding debtors resulted in cash flow problems
			Current Assets	103 514 921	
			Current Liabilities	132 686 514	

D. Liability Management

1	Capital Cost(Interest Paid and Redemption) as a % of Total Operating Expenditure	6% - 8%		6%	Decrease in total operating expenditure resulted in higher capital cost percentage.
			Interest Paid	14 658 104	
			Redemption	17 685 234	
			Total Operating Expenditure	587 722 422	
			Taxation Expense	-	

2	Debt (Total Borrowings) / Revenue	45%		22%	
			Total Debt	124 378 069	
			Total Operating Revenue	553 109 943	
			Operational Conditional Grants	-	

E. Sustainability

1	Level of Cash Backed Reserves (Net Assets - Accumulated Surplus)	100%		1%	Unspent Conditional Grants were not cash backed at the end of the financial year due to cash flow constrains
			Cash and cash Equivalents	21 359 728	
			Bank Overdraft	5 693 148	
			Short Term Investment	-	
			Long Term Investment	-	
			Unspent Grants	3 814 946	
			Net Assets	1 515 772 798	
			Share Premium	-	
			Share Capital	-	
			Revaluation Reserve	-	
			Fair Value Adjustment Reserve	-	
			Accumulated Surplus	-	

2. FINANCIAL PERFORMANCE

A. Efficiency

1	Net Operating Surplus Margin	= or > 0%		-11%	Total Operating Revenue excludes Capital Expenditure Transferred to Revenue. Implementation of GRAP 17 with higher DRC values resulted in depreciation in access of R 80 million.
			Total Operating Revenue	527 770 890	
			Depreciation - Revalued Portion *(Only populate if depreciation line item in the Statement of Financial Performance*	-	
			Total Operating Expenditure	587 722 422	
			Taxation Expense	-	

2	Net Surplus /Deficit Electricity	0% - 15%		15%	Electricity tarrifs are approved by NERSA.
			Total Electricity Revenue	244 221 991	
			Total Electricity Expenditure	208 317 673	

3	Net Surplus /Deficit Water	= or > 0%		-16%	Water tariffs does not included provision to cover DRC values of assets due to implementation of GRAP 17.
			Total Water Revenue	47 021 691	
			Total Water Expenditure	54 777 712	

4	Net Surplus /Deficit Refuse	= or > 0%		-12%	Refuse tariffs does not included provision to cover DRC values of assets due to implementation of GRAP 17.
			Total Refuse Revenue	21 430 967	
			Total Refuse Expenditure	23 915 933	

5	Net Surplus /Deficit Sanitation and Waste Water	= or > 0%		17%	Sanitation tariffs does not included provision to cover DRC values of assets due to implementation of GRAP 17.
			Total Sanitation and Water Waste Revenue	27 287 907	
			Total Sanitation and Water Waste Expenditure	22 690 068	

B. Distribution Losses

1	Electricity Distribution Losses (Percentage)	7% - 10%		11%	
			Number of units purchased and/or generated	208 548 972	
			Number of units sold	185 685 178	
2	Water Distribution Losses (Percentage)	15% - 30%		43%	A water masterplan is in the process of being compiled.
			Number of kilolitres purchased and/or purified	15 345 025	
			Number of kilolitres sold	8 758 828	

C. Revenue Management

1	Growth in Number of Active Consumer Accounts	None		3%	New consumers being levied
			Number of Active Debtors Accounts (Previous)	33 332	
			Number of Active Debtors Accounts (Current)	34 193	
2	Revenue Growth (%)	= CPI		-1%	The average CPI for the year ended 30 June 2014 was used
			CPI	6%	
			Total Revenue (Previous)	557 350 286	
			Total Revenue (Current)	553 109 943	
3	Revenue Growth (%) - Excluding capital grants	= CPI		4%	
			CPI	6%	
			Total Revenue Exl.Capital (Previous)	505 145 577	
			Total Revenue Exl.Capital (Current)	527 770 890	

D. Expenditure Management

1	Creditors Payment Period (Trade Creditors)	30 days		128 days	Unspent grants previously not cash backed resulted in own funds being utilised to fund these projects as well as the non-collection of debtors resulted in cash flow problems
			Trade Creditors	94 925 126	
			Contracted Services	7 769 628	
			Repairs and Maintenance	12 603 139	
			General expenses	39 026 087	
			Bulk Purchases	170 415 974	
			Capital Credit Purchases *(Capital Credit Purchases refers to additions of Investment Property and Property, Plant and Equipment)*	40 136 085	
2	Irregular, Fruitless and Wasteful and Unauthorised Expenditure / Total Operating Expenditure	0%		9%	
			Irregular, Fruitless and Wasteful and Unauthorised Expenditure	53 987 931	
			Total Operating Expenditure	587 722 422	
			Taxation Expense	-	
3	Remuneration as % of Total Operating Expenditure	25% - 40%		37%	
			Employee/personnel related cost	207 689 824	
			Councillors Remuneration	7 961 763	
			Total Operating Expenditure	587 722 422	
			Taxation Expense	-	
4	Contracted Services % of Total Operating Expenditure	2% - 5%		1%	
			Contracted Services	7 769 628	
			Total Operating Expenditure	587 722 422	
			Taxation Expense	-	

E. Grant Dependency

1	Own funded Capital Expenditure (Internally generated funds + Borrowings) to Total Capital Expenditure	None		48%	
			Internally generated funds	19 178 229	
			Borrowings	-	
			Total Capital Expenditure	40 136 085	

2	Own funded Capital Expenditure (Internally Generated Funds) to Total Capital Expenditure	None		48%	
			Internally generated funds	19 178 229	
			Total Capital Expenditure	40 136 085	

3	Own Source Revenue to Total Operating Revenue(Including Agency Revenue)	None		84%	
			Total Revenue	452 915 001	
			Government grant and subsidies	95 054 378	
			Public contributions and Donations	-	
			Capital Grants	25 339 053	

3. BUDGET IMPLEMENTATION

1	Capital Expenditure Budget Implementation Indicator	95% - 100%		78%	
			Actual Capital Expenditure	40 136 085	Inflated capital budget due
			Budget Capital Expenditure	51 392 437	to roll-overs

2	Operating Expenditure Budget Implementation Indicator	95% - 100%		99%	Stricter budget controls
			Actual Operating Expenditure	587 722 422	resulted in less portion of
			Budget Operating Expenditure	594 841 008	budget being spent

3	Operating Revenue Budget Implementation Indicator	95% - 100%		90%	Total Operating Revenue excludes Capital Expenditure Transferred to Revenue
			Actual Operating Revenue	527 770 890	
			Budget Operating Revenue	585 650 677	

4	Service Charges and Property Rates Revenue Budget Implementation Indicator	95% - 100%		99%	
			Actual Service Charges and Property Rates Revenue	415 983 439	
			Budget Service Charges and Property Rates Revenue	420 972 969	

Interpretation of results

	The green colour indicates that the result is within the norm and is acceptable
	The red colour indicates that the result is not acceptable and corrective actions/plans should be put in place to improve the results.
	Data should be captured in the blue colour cell to calculate a ratio.
#	In situations where the results are not within the acceptable norm, corrective actions/plans should be taken and referenced